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Bretton Woods @ 80 and Austria's IMF Membership @ 75

Rethinking the core mandate in times of new challenges, including financing the green transition and new digital possibilities

Conference report
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The conference "Bretton Woods @80 and Austria's IMF Membership @75" was organized by the OeNB together with the Reinventing Bretton Woods Committee.

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1. Editorial[1]

The world is facing serious geopolitical and economic challenges today, as we are witnessing wars, political power shifts and protectionism in addition to major disruptions from climate and demographic changes. Rapid developments in the areas of artificial intelligence and central bank digital currencies add to this quickly changing environment. 80 years after their creation, the Bretton Woods Institutions seem to be more relevant than ever in their roles to ensure macroeconomic and financial stability as well as long-term economic development and poverty reduction.

With a view to commemorate the creation of the Bretton Woods Institutions 80 years ago and to celebrate 75 years of Austria's membership in the International Monetary Fund (IMF), the Oesterreichische Nationalbank (OeNB) hosted a high-level conference on March 4, 2024, in cooperation with the Reinventing Bretton Woods Committee (RBWC). In some way, this event was part of a "tradition," as the OeNB already had the honor of celebrating previous anniversaries, in 2004 and 2014. Our hybrid conference brought together nearly 250 participants, including high-level representatives from national and international public and private institutions and academia. Renowned speakers joined our three different thematic panels to honor and to challenge the changing role of the Bretton Woods Institutions and discuss current developments regarding green transition and capital flows as well as central bank digital currencies.

The objective of this conference report is to put the outcome of the conference on paper. The report includes a transcript of IMF Managing Director Kristalina Georgieva's introductory remarks, as well as the opening remarks by OeNB Governor Robert Holzmann and Executive Director of the RBWC, Marc Uzan, followed by Professor Axel Weber's keynote speech and Governor Holzmann's dinner speech as well as a summary of the three panel discussions. The report furthermore features interviews with Austria's current representative at the Fund, Alternate Executive Director Christian Just, and former Executive Director Johann Prader.

Furthermore, we cordially invite you to watch the short video produced by the OeNB about Austria and the IMF for the occasion at https://youtu.be/I-EMsPsKtiU. Finally, we would like to extend our gratitude to the high-ranking speakers and panelists who played active roles in the conference, especially IMF Managing Director Kristalina Georgieva and keynote speaker Professor Axel Weber. Last but not least, we owe this conference to Governor Robert Holzmann, whose personal past affiliation lies with the Bretton Woods Institutions, as well as OeNB Vice Governor Gottfried Haber.

Eleonora Endlich and Alice Radzyner

[1] The authors would like to thank Marc Uzan (RBWC), Markus Arpa, Thomas Gruber and Sandra Dvorsky (all OeNB) for helpful input and valuable suggestions in organizing the conference and preparing the Occasional Paper.

2. Welcome remarks by IMF Managing Director Kristalina Georgieva[2]

Thank you to the Oesterreichische Nationalbank (OeNB) for inviting me to speak on this important occasion, and to Governor Holzman for organizing this conference on events with great significance for us at the IMF — the 80th anniversary of the creation of our institution and the 75th anniversary of Austria's joining as a member and since then playing a strong and constructive role.

We owe a debt of gratitude Austria for our fruitful collaboration over the years.

The Joint Vienna Institute, a joint undertaking of the OeNB, and the Austrian Federal Ministry of Finance, and the Fund, has provided training to public sector officials from countries in Central, Eastern and Southeastern Europe, the Caucasus, and Central Asia for more than 30 years. The Institute plays a crucial role in strengthening economic policies through the training it provides and by serving as a hub for networking and peer learning among policymakers. It has also been a great platform to collaborate on capacity building with other partners such as the EBRD, the EIB, the OECD, the World Bank, the WTO, and the European Commission.

Vienna also hosts the IMF's regional office for the Western Balkans, which allows us to maintain close engagement with countries in the region, along with donors, other international institutions, and the Austrian government, which is an important trade and development partner of the Western Balkan region.

The Vienna Initiative, born out of the global financial crisis, has been central to promoting regional financial stability.

Let me also recognize the significance of your discussions today on the past, present and future role of the IMF for global economic cooperation and stability.

As we all recall, in 1944 the IMF was forged from the ruins of two world wars. In the decades leading to our creation populism had swept over much of the globe, and the old world order was in chaos. After the Bretton Woods Conference, the world saw dramatic increases in global integration and wellbeing, for which the IMF played a key role — by promoting the stability of the international monetary system, facilitating international trade, supporting sustainable economic growth and employment, and through all this helping to reduce poverty.

Today, however, we face many of the same challenges as we did at the time of our inception. Yet again, in Europe a military power has invaded a neighbor — and flares of regional wars add to global risks. Yet again, populism and protectionism are on the rise. On top of that, we are grappling with global mega-trends such as climate change and the demographic transition, as well as disruptive technologies such as AI and digital currencies.

[2] Source: IMF website – speeches. *Remarks by the Managing Director, Kristalina Georgieva at the Oesterreichische Nationalbank (OeNB) Conference: Bretton Woods @ 80 and Austria's IMF Membership @ 75*

So far, the global economy has proven to be remarkable resilient — thanks to the strong macroeconomic fundamentals and effective policies built over the years. I am proud the IMF has contributed to this strength.

Looking forward, we do face a choice. We can choose the path of instability and confrontation. Or we can choose the path of cooperation and shared prosperity.

At this pivotal moment in history, the IMF’s mandate is more important than ever. We stand for monetary cooperation and open trade. We stand for strong institutions and sound policies. We stand for a world of sustainable growth that creates jobs and protects the vulnerable.

But we are not standing still. Indeed, we are using the 80th anniversary to reflect on a Fund for the Future—an institution that will not only help our members withstand the many challenges in front of them but ensure they truly thrive in this increasingly complex age.

We are intensifying the focus of our surveillance on longer-term issues to help member countries build resilience in the face of potentially disruptive structural transformations. We have increased the flexibility and firepower of IMF precautionary instruments to strengthen the global financial safety net in this more shock-prone world.

We are working hard to help low-income countries build strong institutions, including by promoting central bank independence and credible macroeconomic frameworks. We are working with other international organizations and the creditor community to help countries address excessive debt burdens. And we are exploring ways to give all our members an even greater voice to ensure that the Fund remains representative of its diverse membership.

Eight decades ago, our founders chose the path of cooperation and prosperity. I am confident we will follow that path again, together.

3. Welcome remarks by Governor Robert Holzmann

Ladies and gentlemen, dear colleagues and friends,

Welcome to today's conference, which marks 80 years of the Bretton Woods Institutions and 75 years of Austria's membership in the IMF. We are honored to welcome you to the Oesterreichische Nationalbank for what we may now call a "tradition," as we have already had the honor of celebrating previous anniversaries – in 2004 and 2014. We have had the pleasure of organizing this conference with Marc Uzan from the Reinventing Bretton Woods Committee, a nonprofit organization that fosters an open dialog among high-level stakeholders on the global financial architecture and monetary system.

Let me thank Managing Director Kristalina Georgieva for her greetings and remarks. I would like to welcome our keynote speaker Axel Weber and our distinguished panelists – well-known representatives from the Bretton Woods Institutions, academia and other international institutions. Furthermore, a special welcome to the high-level representatives from our constituency, ministries of finance and other central banks, such as the governors of Kosovo's and Iceland's central banks, to name just a few. I would also like to especially welcome the Executive Director of our constituency, Daniel Palotai, who joins us online, and Austria's Alternate Executive Director at the IMF, Christian Just, as well as our former Executive Director, Hans Prader. Welcome also to the representatives of the Austrian Ministry of Finance. Welcome to all of you.

80 years ago, delegates from 44 nations came together at the Mount Washington Hotel in Bretton Woods, New Hampshire, to create a new international monetary system that came to be known as the Bretton Woods system. The delegates sought to build a new system that would serve the world after the Second World War. They drew on the lessons of the Great Depression and were keen to provide for post-war reconstruction. For nations that had been setting up barriers between their economies since the late 1920s, the Bretton Woods Conference in July 1944 proved to be an unprecedented cooperative effort. One of the key outcomes of the Bretton Woods Conference was the establishment of the World Bank and the International Monetary Fund. As you all know, the IMF was created to promote global monetary cooperation, oversee the stability of the international monetary system, and provide financial assistance to member countries facing balance of payments problems. In addition, the Fund provides policy advice and technical assistance to its members.

On August 27, 1948, Austria joined the IMF as its 47th member. In the post-war period, Austria benefited from its membership in the Bretton Woods Institutions, receiving financial support from the World Bank. Later on, Austria became one of the major donors, and, in this capacity, in 1992, it acted as a founding member of the Joint Vienna Institute. Since 1948, the President and, later, the Governor of the Austrian central bank has represented Austria in the IMF's decision-making bodies. As of 1971, based on a federal law, the central bank assumed the entire IMF quota assigned to Austria. Furthermore, federal law stipulates that the central bank must meet all financial obligations arising from Austria's membership in the IMF and provides the central bank with the right to nominate Austria's IMF Governor and IMF Alternate Governor at the IMF Board of Governors.

Since its creation, the IMF has tackled many different crises, including the transformation from a planned to a market economy in the former Eastern Bloc in the late 1980s and early 1990s (when I was a staff member at the fiscal department of the IMF), the great financial crisis of 2008 and 2009 (when I was senior manager at the World Bank on the other side of 19th Street) and the euro area debt crisis in 2012, when the Fund was part of the so-called "Troika." The Fund also played a major role in dealing with the economic impact of the COVID-19 pandemic, including high inflation. Today, in 2024, we are facing new challenges, especially from geopolitics, which are putting the spotlight on multilateralism again. The question arises how we can sustain multilateralism and the multilateral coordination of positions at regional, national and supranational levels to allow for common approaches that benefit us all.

To sum up: we have come a long way since Austria joined the IMF in 1948, and it is fair to say that our world might look different today had the IMF not been invented. Even though the institution must evolve along with our ever-changing world, it should continue fulfilling its most important mission: supporting the economic and financial stability of its member countries with a view to overcoming any crisis the future may bring.

This brings me back to today's conference, and, in particular, its subtitle, namely "Rethinking the core mandate in times of new challenges, including financing the green transition and new digital possibilities." We are going to discuss how the Bretton Woods Institutions – and mainly the IMF – have evolved over time and what role, in light of its evolving mandate, the Fund could and should play in the global financial safety net in the future.
Let me give you a quick overview of today's program: First, I am going to hand over to Mr. Uzan and to our honorable keynote speaker, Professor Axel Weber. After that, three panel sessions will deal with the following issues: first, "80 years of Bretton Woods Institutions and challenges ahead,", second, "The green transition and the future patterns of capital flows and global liquidity" and third, "The future of the international monetary system in a digital world."

Marc Uzan and Axel Weber, the floor is yours.

4. Welcome remarks by Executive director of the Reinventing Bretton Woods Committee, Marc Uzan

Good afternoon, dear guests, dear Governor,

It is an honor for me to address you today as we are marking the 80th anniversary of the Bretton Woods Conference.
Eight decades ago, against the backdrop of a world ravaged by war and economic instability, visionaries gathered at Bretton Woods, New Hampshire, to lay the foundations of a new international economic order. Their goal was clear: to foster stability, promote prosperity, and prevent the recurrence of the economic chaos that had plagued the interwar period. The result of their efforts was the creation of institutions such as the International Monetary Fund (IMF) and the World Bank, which would serve as the cornerstones of the post-war economic architecture.

Parallels with the present day

Fast forward to the present, and we find ourselves in a world grappling with a different set of challenges, yet strangely familiar in its echoes of the past. Today, we stand at a pivotal moment in history, where the prevailing winds of globalization are giving way to a landscape marked by fragmentation and divergence. World leaders may not agree on much these days – but many of them share the sentiment that the world is entering a critical decade in the contest for the future international order.

For decades, globalization has been the driving force behind unprecedented economic integration and technological advancement on a global scale. This shift toward fragmentation stems from a confluence of factors, including growing inequality, technological disruption, geopolitical tensions, and the uneven distribution of the benefits of globalization.

This event today in Vienna is the first of a series of conferences that we will be planning during the year, incorporating all continents, all economies, small or large, with the participation of former and current practitioners. I want to thank Governor Robert Holzman for agreeing a year ago to host the first event here in Vienna. Of course, this is not a coincidence. Indeed, some of you might remember that we met for the same occasion in 2004 and 2014 at the central bank under the leadership of Governor Klaus Liebscher and Governor Ewald Nowotny, respectively, to reflect on the 60th and the 70th anniversary.

And indeed, the last 30 years brought decades of global financial crises, economic booms, technological advancements, and geopolitical shifts, and we have learned several key lessons for improving the global financial architecture:
1) Resilience and adaptability: The global financial architecture must be resilient and adaptable to withstand shocks and crises. Flexibility in policy frameworks, institutions, and regulatory mechanisms is essential to respond effectively to emerging challenges and mitigate systemic risks.
2) Coordination and cooperation: Global financial stability requires coordination and cooperation among countries, central banks, international financial institutions, and regulatory

bodies. Close collaboration is needed to address cross-border spillovers, promote policy coherence, and build consensus on common challenges.
3) Inclusivity and sustainability: The global financial architecture must prioritize inclusivity and sustainability to ensure that the benefits of economic growth are shared equitably and that development is environmentally sustainable.
4) Innovation and resilience: Innovation plays a crucial role in driving economic growth and enhancing the resilience of the global financial architecture. Embracing technological advancements, such as digital currencies, blockchain technology, and fintech innovations, can improve efficiency, accessibility, and inclusivity in financial markets while also posing new challenges that require careful regulation and oversight.
5) Multilateralism and cooperation: Multilateralism and cooperation are fundamental principles for building a robust and inclusive global financial architecture. International financial institutions, such as the IMF, the World Bank, and regional development banks, play a central role in promoting multilateral cooperation, facilitating dialog, and providing technical assistance to member states.

But, just as in 1944, we face a pressing need for collective action to address the root causes of instability and inequality. However, the solutions we seek must be adapted to the realities of the 21st century. One of the most striking parallels between then and now is the importance of international cooperation. Just as the architects of Bretton Woods recognized the need for coordinated action to rebuild the post-war world, we must recognize the imperative of working together to address the challenges of today.

Adapting to the 21st century

At the same time, we must acknowledge that the global landscape has evolved since 1944, and our approach to economic governance must evolve with it. The rise of new economic powers, the emergence of digital technologies, and the growing urgency of environmental sustainability all demand innovative thinking and flexible solutions. We cannot simply replicate the Bretton Woods model; we must build upon it, adapting its principles to meet the needs of a rapidly changing world.
Here are the three main challenges that will be discussed today:

Climate finance

In the context of the fragmented global economy, one of the most pressing challenges we face is climate change. The impacts of climate change are already being felt around the world, from

extreme weather events to rising sea levels and diminishing biodiversity. Addressing this existential threat requires a concerted effort on a global scale, and financing plays a crucial role in enabling the transition to a low-carbon, resilient economy.
Climate finance encompasses a range of financial instruments and mechanisms aimed at mobilizing resources for climate-related projects and initiatives. From public funds to private investments, climate finance channels capital toward renewable energy, energy efficiency, adaptation measures, and sustainable infrastructure. However, despite significant progress in recent years, there remains a substantial gap between the funds needed to address climate change and the resources currently available.

To bridge this gap, we must explore innovative approaches to climate finance, including leveraging public-private partnerships, enhancing the role of multilateral development banks, and incentivizing sustainable investment through regulatory frameworks and financial incentives. By mobilizing capital at scale and directing it toward climate-resilient solutions, we can accelerate the transition to a sustainable future and mitigate the worst impacts of climate change.

Digital currencies

Another area of profound transformation in the global economy is the rise of digital currencies and blockchain technology we are witnessing a profound transformation in the international monetary system, driven by the emergence of digital currencies. As central bank digital currencies (CBDCs) gain traction across the globe, they are reshaping the very foundations of how we conduct financial transactions and interact in the global economy, thereby raising numerous questions:

1) How can we ensure interoperability and compatibility between different CBDC systems to facilitate seamless cross-border transactions?
2) What regulatory frameworks are needed to govern the issuance, distribution, and use of CBDCs in the international arena?
3) How can we address concerns related to privacy, data protection, and cybersecurity in the context of CBDCs?
4) What role will international organizations and multilateral institutions play in coordinating efforts to integrate CBDCs into the international monetary system?

Power geopolitics

The evolving dynamics between China and the United States have profound implications for the future of the Bretton Woods system and the global economic order. China and the US are the world's two largest economies and key players in the international arena, hence their interactions shape not only the bilateral relationship but also the broader dynamics of global governance, trade, and finance.

1) How will ongoing tensions and potential conflicts between the United States and China affect the stability and viability of the Bretton Woods system, considering the pivotal role these two countries play in the global economy?
2) What strategies can be employed to mitigate the risks posed by diverging economic interests and geopolitical rivalries between the US and China, while upholding the principles and institutions established under the Bretton Woods framework?

What about the European Union? In the ever-evolving landscape of the global economy and finance, Europe finds itself at a pivotal juncture, poised to play a leading role in shaping the future of our interconnected world. At the heart of Europe's potential lies its commitment to multilateralism and cooperation. In a world characterized by increasing fragmentation and uncertainty. With the rise of China as an economic and technological powerhouse, the resurgence of Russia as a regional actor, and the changing role of the United States in international affairs, Europe must navigate a complex geopolitical landscape while safeguarding its interests and values. As a champion of multilateralism, Europe can advocate a rules-based international order and the strengthening of multilateral institutions. In an era where unilateralism and power politics threaten global stability, Europe's commitment to multilateralism can provide a counterbalance, promoting cooperation and collective action to address global challenges.

Conclusion

In closing, let us remember the spirit of cooperation and vision that guided the delegates of Bretton Woods 80 years ago. "The world of yesterday is gone. Tomorrow's world will be different. But today's world, filled with the problems of yesterday and the hopes of tomorrow, is the world we must live in and work to improve". This quote by the Austrian writer Stefan Zweig encapsulates the perspective on the impermanence of the past and the uncertainty of the future. As we navigate the complexities of a fragmented global economy, let us draw inspiration from previous generations and work together to build a more just, sustainable, and prosperous world.

5. Keynote speech[3] by Professor Axel Weber[4]

1. Introduction

In recent decades, the Bretton Woods Institutions have successfully contributed to global stability, unprecedented economic growth, increasing prosperity and broad-based poverty reduction. Despite their successful historical track record over the past 80 years, the mandate, governance, and policy actions of the International Monetary Fund (IMF), the World Bank and the multilateral development banks have been subject to frequent critical reviews. Until recently, the prevailing conclusion of such reviews has been that an evolution of their mandate and a continuous adjustment of their policy tools would be best suited to secure the effectiveness of the Bretton Woods Institutions in the face of new and evolving economic and financial challenges.

2. New challenges from the recent poly-crisis

In recent years the global economy has faced a multitude of new challenges and unprecedented crises: the global pandemic crisis, the climate crisis due to global warming, a cost-of-living crisis, new geopolitical challenges, such as the US-China conflict, the war in Ukraine, and the military escalation of the conflict in the Middle East between Israel and Hamas. All these developments have dramatically increased economic and geopolitical risks and global uncertainty. Many of these challenges occur in parallel, are interconnected and mutually reinforcing each other. A poly-crisis has emerged.

- During the global pandemic crisis, the global economy faced the risk of a sudden stop, and massive fiscal and monetary intervention was needed to re-ignite economic momentum. Public and private sector decision makers were largely unprepared for the materialization of such risks. The defenses around the virus proved weak and coordination across jurisdictions was almost absent. The weaker segments of the population were impacted disproportionally.
- Another risk, which is known in principle but for which we are not well prepared, is the global climate crisis. The climate crisis has reached a tipping point, with record temperatures and extreme weather events on the rise. Greenhouse gas emissions (GHGs) continue to increase and, if left unchecked, will result in famines, floods, and fires. Whilst there is global climate action and policymakers are increasingly focusing on the fight against climate change, current commitments and funding substantially fall short of what would be required to limit global warming to less than 1.5 degrees Celsius. In particular, there has been a lack of concrete and effective measures undertaken by the private and public sectors.
- In addition, the global economy is undergoing major adjustment challenges in response to the recent cost of living crisis, which was caused by the massive inflation surge after a period of lower-for-longer interest rates and unprecedented monetary stimulus in the

[3] Part of this keynote speech draws on a new publication from the Bretton Woods Committee's Multilateral Reform Working Group entitled "Strengthening the World Bank and the IMF to Meet 21st Century Global Challenges: A Climate Change Case Study", April 2024, to which the speaker has contributed as a co-chair jointly with Joachim Levy and Siddharth Tiwari.

[4] Prof. Dr. Axel A. Weber, President, Center for Financial Studies, House of Finance, Goethe University Frankfurt/Main, Germany.

form of massive quantitative easing. Central bank balance sheets have grown to unprecedented levels both in absolute size and as a share of global GDP because of the pandemic stimulus. The fight against rampant inflation, which has peaked at double-digit inflation rates and is now declining due to the shortest, sharpest, and globally most synchronized interest rate hikes and monetary policy tightening in post-war history.

- We are coming of decades of supportive geopolitics, demographics, globalization, and advances in technology that resulted in a period of high growth. Many of these positive trends, however, have been reversed of late. The tailwinds to global growth, such as growing markets, increasing trade, expanding supply chains, and financial globalization, were disrupted by the pandemic. The war in Ukraine has ruptured the rules that governed the international order. International cooperation is at its lowest point since the end of the cold war. The peace dividend has evaporated as defense spending has risen across the globe. These developments have increased geopolitical tensions, and they have led to a rush for energy and food security, a nearshoring of supply chains and the adoption of protectionist policies.
- Because of these developments, we have also witnessed a sharp rise in both global and within-society inequality, which is spurring populism and, if unmanaged, could lead to new global economic and social challenges and tensions.

In this environment we are now facing a new debate about the Bretton Woods Institutions and

how their global role in policy coordination can be strengthened. Do they have the right mandate and governance to continue to secure economic prosperity, sustainable economic growth, and poverty reduction? Are these institutions fit for the fight against climate change? What role can they play in the poly-crisis facing the global economy today? How can they best adapt their operations to these new areas without undermining their traditional core mandate and avoid undesirable mission creep? In addition, there is the problem of managing the crises of the global commons and the global climate crisis. No single country is responsible for these crises and no single country can redress the situation on its own. Can the Bretton Woods Institutions play a constructive role in preserving the global commons and spearheading climate action? How would this affect their mandate, governance, staffing and funding?

3. Focus on climate action

Among all the global challenges, climate change in my view is the most pressing. Technical advances over the past few decades have improved the feasibility of making more rapid progress, and the priority now should be concrete action on reducing global carbon emissions quickly, fairly and at scale. This means that the focus needs to shift toward coordinating actions that will mobilize the required financial resources. Timeliness of globally coordinated action is of the essence, and any further delays will lead to a bigger rise in global temperatures, more volatile weather, and greater negative social, environmental and economic consequences and ultimately higher future costs.

To prevent this, climate action requires a four-pronged approach with specific workstreams:

- **Expanding the supply of clean energy** requires a comprehensive approach. Encouraging investment in renewable energy sources such as solar, wind, hydro, and geothermal power through incentives, subsidies, and regulatory frameworks that promote their development is key. In addition, increasing funding for research and development in clean energy technologies to improve efficiency, reduce costs, and develop innovative solutions for energy storage and grid integration is the most promising contribution the public and private sector in the industrialized countries can contribute. The public sector in particular has to implement supportive policies at national and international levels, including carbon pricing mechanisms, renewable energy targets, and phasing out subsidies for fossil fuels. Global monitoring and international surveillance of these commitments could be an important role the **IMF** may play in its climate action agenda. Another key climate action is the development of climate-friendly infrastructure for clean energy production, including transmission lines, storage facilities, and smart grid technologies to enhance reliability and integration with existing energy systems. Such infrastructure work is closer to the **World Bank's** core expertise. Together, the **Bretton Woods Institutions** are in the pole position for fostering collaboration and partnerships between countries, other international organizations, such as the multilateral development banks, and the private sector around share best practices, technology transfer, and capacity building for clean energy deployment.
- **Decommissioning existing coal-fired power plants** is crucial for reducing greenhouse gas emissions. Establishing clear and enforceable policies and regulations that incentivize the closure of coal-fired power plants, such as carbon pricing, emission standards, and phase-out plans are important milestones to be achieved. An important first step is the current ISSB[5] agenda for developing globally aligned consistent standards and transparency for the disclosure of the carbon content and environmental impact of corporate activity in industrial and developing economies. Developing comprehensive transition plans that provide support for affected workers, communities, and industries, including retraining programs, job placement assistance, and economic diversification initiatives are further key elements of this carbon transition. Providing financial incentives, subsidies, or tax breaks to facilitate the closure and decommissioning of coal plants and the development of cleaner energy alternatives are additional elements of such a comprehensive approach. International cooperation and support through initiatives such as the **Paris Agreement** and international funding mechanisms centered on the **Bretton**

[5] ISSB = International Sustainability Standards Board.

Woods Institutions and their respective expertise could help facilitate and accelerate the transition away from coal-fired power generation globally.

- Embarking on **adaptation action to counter global warming** also requires a multifaceted approach. Conducting comprehensive risk assessments to identify vulnerable areas, populations, and sectors prone to climate impacts such as extreme weather events, sea-level rise, and changing precipitation patterns could be a key contribution of the **IMF** to global climate action. The **World Bank** could significantly contribute to facilitating investments in resilient infrastructure that can withstand climate-related hazards, including upgraded flood defenses, water management systems, and coastal protection measures. The Bretton Woods Institutions could play a key role in mobilizing financial resources for adaptation efforts to supplement domestic budgets by providing access to an international climate finance mechanism including private sector co-investments, ensuring adequate funding at scale for adaptation projects and programs.
- Finally, preserving the **global commons** in the context of climate action requires restoring and conserving natural ecosystems such as forests, wetlands, and mangroves, which provide essential services such as flood control, water purification, and biodiversity conservation. Here is where the **Bretton Woods Institutions** can have their biggest impact, since dealing with the threat to the global commons requires a global coordinated effort. In most cases it requires global financial flows from developed industrial economies to developing and least-developed economies. The global membership and the global reach of the Bretton Woods Institutions puts them in the pole position to lead the international effort to preserve the global commons.

But whilst we need concerted global action on multiple fronts more than ever before, unfortunately, even maintaining the current degree of globalization and multilateralism will be more challenging than ever before in post-war history. Strategic competition, geopolitical tensions, and the knock-on effects of armed conflicts are exacerbating the risk of global fragmentation. Globalization is here to stay, but what is needed is a new momentum for multilateralism, especially in the global fight against climate change. And whilst recent tensions and strategic rivalry among the members of the Bretton Woods Institutions has had some negative spillover effects on their ability to act in a timely fashion in addressing these challenges, the IMF and World Bank ae still the best suited institutions globally to secure continued progress on climate action.

4. Focus on private-public partnerships

Timely climate action at scale is also hampered by another element of the recent poly-crisis: past crisis interventions have stretched public capital to its limits. This limits the ability of governments to address the climate crisis. At the same time, private capital has increased globally in size and form and has now become the go-to candidate for solving many of the problems related to the climate challenge. But it is very unlikely that more private capital alone will deliver what is hoped for in the fight against climate change. Private capital will step in where there is a business case to be made. Private capital will offer loans and grant credit if a positive, risk-adjusted return can be achieved. New forms of private-public partnerships are therefore needed to make climate change projects more investable, in particular since such projects are still too limited in scope and size. And scaling up private-public partnerships will require both capital and liquidity buffers of the

Bretton Woods Institutions to be massively increased to cope with the increasing leverage implied by loss-guarantees to the private sector for climate-targeting co-investments.

5. Greening the Bretton Woods Institutions

Since timely action is key, creating new multilateral institutions to pursue climate-related macroeconomic and financial action is less appealing than making the existing Bretton Woods Institutions – the IMF and the World Bank – fit for purpose to lead and coordinate the global public sector climate action. Such a fit-for-climate agenda requires moving from the current opportunistic approach to a well-designed strategic reform agenda. At the same time, a climate remit at the IMF and the World Bank **must not come at the expense of the IMF's and World Bank's core mandates**. Mission creep must be avoided. The role of the **Bretton Woods Institutions** in climate-related policies should be clearly spelled out in their Articles of Agreement.

5.1. Scaling up financing of the Bretton Woods Institutions

Climate action at the IMF will also not come for free. It **needs substantial additional financial resources**, not redistributing or re-directing existing resources or depleting financial buffers of the IMF. In my view the *IMF's Resilience and Sustainability Facility (RSF)* is a case in point. It is a well-intended but ill-designed approach to funding the IMF's climate action. Such re-directing of billions of dollars of "unused" SDRs and re-allocating them to climate action could undermine the IMF's ability to fulfill its core mandate if financial stress in the global economy were to substantially increase. "Climate-dedicating" central bank reserves, i.e. repurposing SDRs for climate action, is another problem. It would be more appropriate to fund the RSF by new financial commitments from a coalition of countries willing to sponsor such climate action, and ideally all IMF member countries would participate along their respective quota allocations. It would also be more consistent to treat these climate-related SDR allocations in all member countries as a financial obligation of the general government, as opposed to a financial claim against the central bank, as is the case with standard SDRs in many European countries. In other words, climate-related Special Drawing Rights (CSDRs), unlike standard SDRs, should constitute a simultaneous asset and liability in the central bank's balance sheet, matching the IMF's claim against the central bank of a member country with an equally sized claim of the central bank against the country's general government, which would formally increase the country's government debt. Only such an accounting treatment of CSDRs would ensure that IMF climate-related action, which is not a core central bank responsibility, is consistently accounted for as an IMF task in supporting at the global level the environmental policies if its members states.

Climate action at the World Bank will also require substantial additional resources. But different from the IMF, the World Bank's funding comes from governments' paid-in capital. Extending the mandate of the World Bank to include climate action in addition to supporting sustainable growth and poverty reduction, the paid-in capital at the World Bank needs to increase materially. This additional capital should be earmarked for climate action only. Such 'paid-in climate capital' would allow for better leveraging this capital in climate finance for co-investments or distribution to investors seeking specifically such green investments.

The **World Bank Group** and the **International Finance Corporation** already borrow in international financial markets and leverage their high credit rating for funding activities. This is an effective way of reducing the cost for climate action in frontier markets and involving the private sector in financing public sector activities. Additionally, involving the private sector in financing public sector activities enhances the sustainability and scalability of climate action efforts.

5.2. Improving governance of the Bretton Woods Institutions

To be effective, a clear division of labor is essential between the IMF and the World Bank on their new additional climate mandates. In addition, to better align financial responsibilities and governance at the IMF and World Bank on climate action and to clearly separate this additional task from their core mandates, a change in their governance structures would be beneficial.

Climate action at the IMF and the World Bank should be governed by simple and transparent rules. Funding obligations and decision power over the use of **climate-dedicated SDRs at the IMF** and **paid-in climate capital at the World Bank** need to be more closely aligned, whilst the effective execution of these tasks needs to rest firmly with the executive management of the Bretton Woods Institutions within their tried-and-tested management structures.

For the **core mandate** of sustainable development and poverty reduction, the **Development Committee** at the **World Bank** serves as an advisory council comprised of member countries' finance ministers or central bank governors. Its role is to advise and make recommendations to the Boards of Governors of the World Bank Group and the International Monetary Fund (IMF) on critical development issues and policies. While it doesn't have direct decision-making authority, its recommendations carry significant weight in shaping policies and strategies within the World Bank Group. For the **climate agenda** of the World Bank, an **Extended Development and Climate Committee** should act as a true decision body with similar decision powers as the general shareholder assembly in the corporate world. This shareholder assembly should be comprised of member countries' finance ministers. Its role is to approve paid-in climate capital increases and to decide about the general guidelines of the Bretton

Woods Institution's climate action and climate funding. It should issue instructions to the Boards of Governors of the World Bank Group and the International Monetary Fund (IMF) on climate-critical policy actions and their funding.

The **International Monetary and Financial Committee (IMFC)** is the key advisory body of the **IMF** on its **core international financial stability mandate.** It is comprised of finance ministers and central bank governors from the member countries of the International Monetary Fund. Its primary role is to provide guidance and advice on critical international monetary and financial issues, such as exchange rate policies, global economic stability, and IMF policies and operations. The IMFC meets twice a year, typically in conjunction with the IMF-World Bank Spring and Annual Meetings, to discuss and deliberate on current economic challenges and developments. It offers a forum for member countries to exchange views, share insights, and collaborate on addressing global economic issues. While the IMFC does not have direct decision-making authority within the IMF, its recommendations and discussions help shape the policies and operations of the organization. For the **climate change** agenda of the IMF a new governing body, the **IMF Council**, could be charged with the responsibility to oversee and direct climate action of the Board of Governors and the Executive Board. For the climate agenda, the **IMF Council** would be the highest decision-making body of the IMF. It should be composed of one governor and one alternate governor from each member country, typically the country's finance minister and environmental minister. The IMF Council would meet annually to decide on the funding of climate action by climate-dedicated SDRs and issue general guidelines and priorities for the use of these funds in front-loading climate action in vulnerable countries by loans, grants or other financing arrangements. As a supervisory body, it should instruct and monitor the IMF's Executive Board in its conduct of the Fund's business.

5.3. Clarifying the mandates of the Bretton Woods Institutions

To address climate issues effectively and cooperatively, the IMF and the World Bank need to focus on their **historical strength and expertise** and leverage their 80 years of experience to help front-load global climate action. The key strength of both institutions thereby has historically been in giving policy advice, usually **top-down macroeconomic advice at the IMF and bottom-up project support at the World Bank**. Another area where the Bretton Woods Institutions have historically made a difference is **financial assistance**, traditionally **concessional lending and debt relief at the IMF** and **development grants and project funding at the World Bank**.

In the area of **climate-related policy advice**, the **IMF** should focus on providing macroeconomic policy advice on integrating climate considerations into fiscal, monetary, and exchange rate policies, as well as macro-financial stability assessments. The World Bank should offer policy advice on climate-related development policies and investments, including sectoral approaches to climate mitigation and adaptation.

Regarding **climate-related financial assistance**, the **IMF** should focus on providing concessional lending and debt relief to help countries address immediate balance of payments and fiscal challenges exacerbated by climate-related shocks. The World Bank should mobilize climate finance through concessional and non-concessional lending, grants, and innovative financial instruments to support climate-related projects and programs, particularly in low-income and vulnerable countries.

The **World Bank** has already implemented various climate actions to date, including the key area of **climate finance** by significantly increasing its financing for climate-related projects and initiatives, with a focus on renewable energy, energy efficiency, sustainable transportation, climate-resilient infrastructure, and natural resource management. In terms of **climate policies**, the World Bank has developed climate change strategies, policies, and guidelines to mainstream climate considerations into its operations and promote low-carbon and climate-resilient development pathways in client countries. As part of its **innovative finance strategy**, the World Bank issues green bonds to finance climate-friendly projects and programs, mobilizing capital from investors for renewable energy, energy efficiency, sustainable agriculture, and other climate-related initiatives. Importantly, the World Bank also provides **technical assistance and policy advice** to help countries design and implement carbon pricing mechanisms, such as carbon taxes or emissions trading systems, to internalize the costs of carbon emissions and promote low-carbon development. The World Bank also supports climate adaptation efforts in vulnerable and low-income countries, including investments in climate-resilient infrastructure, disaster risk management, agriculture resilience, and social protection programs. Overall, the World Bank can play a critical role in supporting global efforts to address climate change and achieve sustainable development goals, leveraging its financial resources, technical expertise, and global reach to catalyze climate action and promote resilience-building in client countries.

The **IMF** has also taken several steps to address climate change and support climate action. It **conducts assessments of climate-related risks** to macroeconomic stability, financial systems, and economic growth in member countries, providing analysis and policy recommendations to mitigate these risks. The IMF also offers **policy advice** to member countries on integrating climate considerations into their fiscal, monetary, and structural reform agendas, promoting low-carbon growth strategies and resilience-building measures. The IMF includes climate-related risks in its financial sector surveillance activities, assessing the exposure of financial institutions to climate risks and promoting measures to enhance their resilience and sustainability. It also supports the development of green finance markets and instruments, including green bonds, climate insurance, and carbon pricing mechanisms, to mobilize private sector investments for climate-friendly projects and initiatives.

6. Summary and conclusions

Both the **IMF** and the **World Bank** have in recent years grown their engagement with climate change and are increasingly coordinating their action, but more ambitious action and greater integration of climate considerations into their policies and programs are needed. Ultimately, the responsibility for effective climate action of the Bretton Woods Institutions rests with their shareholders, who must provide the financial resources for scaling up and leveraging the climate action needed to effectively address the climate crisis. For this reason, the above changes in the governance of the Bretton Woods Institution have been proposed. With a clear governance and institutionally assigned transparent roles and responsibilities, the typical blame game in assigning responsibility for the apparent gap between global climate realities and the underwhelming global commitments to fund climate action will become harder to play.

6. Dinner speech by Governor Robert Holzmann[6]

Ladies and gentlemen, dear friends and colleagues,

1. Introduction and wrap-up of the conference

Welcome to the last and one of the most pleasant parts of today's conference: dinner with like-minded persons and great food and wine. I will not keep you from dinner for long, but I would like to say a few words about today's conference and share with you some brief reflections on my own work experience at the Bretton Woods Institutions, Austria's role at the institutions, Austria's constituency and some key messages for the IMF.

Today, we celebrated the important role of the Bretton Woods Institutions over the past 80 years in promoting international economic cooperation and stability – a role which cannot be overestimated. Let me quote from the inaugural address which former US Secretary of the Treasury Henry Morgenthau gave at the Bretton Woods Conference in 1944[7]: the Bretton Woods Institutions were designed to facilitate "*…(the) creation of a dynamic world community in which the peoples of every nation will be able to realize their potentialities in peace*." Given the profound challenges we currently face, the Bretton Woods Institutions are more important than ever if we want to live up to this goal.

Also today, we celebrated Austria's long-standing relationship with the IMF of 75 years – and the contribution of the Bretton Woods Institutions to rebuilding Austria from a shattered post-war economy into the major donor to these institutions it is today.

Thank you, Axel Weber, for the inspiring speech you gave to kick-start our conference. Thank you to my fellow panel chairs – OeNB Vice Governor Gottfried Haber and Marc Uzan, Executive Director of the Reinventing Bretton Woods Committee – and to our excellent panelists. Let me briefly recall the three panel discussions we heard today:

- On the first panel, we discussed the role and evolving nature of the Bretton Woods Institutions.
- The second panel focused on green transition and the future patterns of capital flows and global liquidity.
- And the third panel dealt with the role of the international monetary system in a digital world.

Thanks again to Marc Uzan and the Reinventing Bretton Woods Committee for organizing this conference with us.

[6] This speech profited from important input from Eleonora Endlich and Alice Radzyner and additional input from Josef Horvath from the EU and International Affairs Division (all OeNB).

[7] Inaugural address by Henry Morgenthau Jr., July 1, 1944, [Inaugural address by Henry Morgenthau Jr (1 July 1944) - CVCE Website]

For those of you who missed parts of the conference or who simply do not want this day to end, do not worry: **We will publish a conference report in the next couple of weeks**. The report will include the keynote speech by Axel Weber, a transcript of IMF Managing Director Kristalina Georgieva's message and interviews with our Alternate Executive Director and Austrian representative at the Fund, Christian Just, and with Hans Prader, the former Executive Director and Austrian representative at the Fund for almost 30 years. In addition, the report will include a conference summary.

2. My personal experience of working at and with the Bretton Woods Institutions

It is a special honor for me to join the celebrations of the 80th anniversary of the Bretton Woods Institutions today as I spent half my life and two-thirds of my active career working for them or interacting with them. They are, indeed, a very big part of my life.

Before my return to academia in 2011 and before I assumed my current position (as Governor of the Oesterreichische Nationalbank) in 2019, for 14 years I held various positions at the World Bank, including Senior Sector Director and Acting Senior Vice President. Before joining the World Bank in 1997, I also worked as a senior economist at the IMF in Washington, D.C. and at the OECD in Paris (where, in 1985, I got introduced to the functioning of the IMF through the wife of my OECD colleague as she was seconded to the Paris IMF office from D.C.).

Working at and with both institutions through much of my life exposed me to their communalities and differences, some of which keep influencing me to this day. Three brief examples:

1. **Recording**: IMF minutes from country mission meetings are produced in a painstaking way but they are a great help in understanding and preparing for any country before going there – they are my benchmark.
2. **Back to office reports (BTORs)**: They constitute a great way of offering a focused overview of mission work or conference participation to staff and colleagues. I introduced them for my sector at the World Bank, by example not by decree: When I left the World Bank, most staff did them. I also share BTORs on selected events with my staff and colleagues at the OeNB, and the number of staff-produced BTORs at the OeNB has been increasing steadily…
3. **Mission discussions**: At the IMF, only the mission chief talks in mission discussions with counterparts. At the World Bank, everybody takes the floor, including the most recently recruited junior staff. This is why, in comparisons of style, the IMF is often likened to the Prussian army and the World Bank to the Mexican army. But also the latter won battles, and the former lost battles.

I loved to work for and with both institutions. My time as an economist at the IMF's Fiscal Affairs Department in the late 1980s and early 1990s took me to the transition economies – before, during and after the political changes they experienced. As I found out later, I was withdrawn from fiscal work in Malawi and work on the first Policy Framework Paper for a stand-by agreement because the Fiscal Affairs Department's management thought that communist governments would be more open to letting an Austrian look into their budget book rather than an American. This led me to Hungary, then Poland, for fiscal work on their stand-by agreements, and thereafter to almost all countries in the CESEE region as they all had problems with their pension schemes. Once again, I got side-tracked from my macroeconomic and monetary policy ambitions and interests.

3. Austria and the Bretton Woods Institutions

Let me briefly turn to Austria's relationship with the Bretton Woods Institutions and the history of our IMF constituency. When, in July 1944, the Bretton Woods Conference agreed on new rules for a post-war international monetary system, it aimed to overcome the devastating effects of World War II and prevent a similar economic turmoil as the one Europe had experienced in the interwar period.

Austria became a member of the World Bank Group and the IMF in August 1948.[8] Historical evidence shows that the road to membership was not straightforward, however. In fact, some IMF members were initially inclined to oppose granting membership to a country which, at that time, was not yet a sovereign state (Austria was still occupied by the allied forces). Little is known about how it was even possible that the Soviet Union – then a key member of the Allied Council – gave permission for a not yet sovereign state to join the Bretton Woods Institutions at a moment when it forced Czechoslovakia, as a founding member of the institutions, to leave them.

[8] Since Austria's accession to the IMF in 1948, the Governor (formerly President) of the OeNB has represented Austria in the IMF's decision-making bodies. According to federal law, since 1971 the OeNB has been in charge of nominating both Austria's governor and alternate governor at the IMF.

Who were those far-sighted Austrian politicians and high-level civil servants who made this happen?

In the post-war years, Austria underwent a significant transformation: from a country in ruins to the stable, prosperous economy we see today. Only 13 years after Austria's accession to the IMF and the World Bank, in 1961, Vienna was able, in fact, to host **the IMF / World Bank annual meetings**. During these events, important discussions were held in Austria, led by Per Jacobsson, the IMF's Managing Director at the time. These talks laid the foundation for establishing the General Arrangements to Borrow (GAB) and expanded the portfolio of IMF financial resources via additional loans.[9] At that time, Austria was offered G10 membership, which it declined (for reasons unknown today).

In the early years of its membership, Austria was a beneficiary of World Bank support and was integrated into the world economy by rules set by the Bretton Woods Institutions. In the years that followed, Austria evolved from a receiving country into a significant donor country to the Bretton Woods Institutions. Today, we participate i.a. in the IMF's multilateral and bilateral borrowing arrangements.

Furthermore, the establishment of the Joint Vienna Institute (JVI) in Vienna in 1992 gave Austria another opportunity to show its strong support of the Bretton Woods Institutions. The JVI is a regional training center intended primarily for public sector officials from Central, Eastern and Southeastern Europe (CESEE) and the Commonwealth of Independent States (CIS). In addition, since the war in Ukraine started in 2022, Austria has provided offices to IMF representatives from Kiev and Moscow in Vienna. Austria is also an important partner to the World Bank Group, with the group's presence in Vienna dating back to 2007. We now host the biggest World Bank office outside Washington, D.C.
This impressive track record shows the great importance the Austrian authorities attach to the Bretton Woods Institutions and their strong commitment to them.

[9] See OeNB Annual Report 1961 and IMF Annual Report 1962.

4. History of Austria's constituency at the IMF[10]

When Austria officially joined the IMF as its 47th member on August 27, 1948[11], it formed a constituency with Italy and Greece. Austria was the 16th European country to become a member of the Fund, ahead of the Federal Republic of Germany.

Ever since its accession, Austria has been represented at the IMF in mixed constituencies (i.e. groups of multiple member countries) with varying member compositions. Interestingly, Austria has established the longest partnership with Türkiye as the two countries have been working together in the same IMF constituency since 1953, for 71 years. Our second-longest partnerships were those with Belgium and Luxembourg. These two countries were in the same constituency as Austria from 1955 to 2012, for 57 years. Hungary is also a long-standing partner, having been in the same constituency with Austria since 1983, for 41 consecutive years. Perhaps surprisingly, given their geographical distance, Austria was also paired with Korea for six years (1957–1966) and with Kazakhstan for as long as 20 years (1992–2012).

Following the geopolitical upheavals of the early 1990s, Austria intensified its cooperation with five central and eastern European countries that joined the constituency in which Austria and Türkiye are represented and which continue to be members of this constituency to this day.

In 2012, our constituency took on its present form, with Belgium, Luxembourg and Kazakhstan leaving and eight members remaining. It has since been referred to as the Central and Eastern European constituency (CEE constituency). In this multicountry setting, we now closely work together with non-EU member states and one G20 country as well as with EU member states and euro area countries, and we usually speak with one common voice at the IMF's Executive Board meetings. And currently, I have the honor of representing the constituency on the International Monetary and Finance Committee (IMFC).

Austria is represented in the constituency by our Alternate Executive Director Mr. Christian Just, who has very successfully held this position for 10 years. In the same breath, I would like to pay my respects in thanking Mr. Johann Prader, who represented Austria in constituencies of various constellations for almost 30 years. Thank you for joining us today.

[10] Source: OeNB, EU and International Affairs Division (Josef Horvath), History of Austria's membership in the IMF Constituencies, restricted, January 24, 2024.
[11] See IMF Annual Report 1949.

5. Key messages for the IMF to retain its role at the core of the global financial safety net

After this brief historic outline, let me turn to three issues I consider crucial for the Bretton Woods Institutions, and especially for the IMF when it comes to retaining its key role and successfully fulfilling its tasks at the core of the global financial safety net – also in the years to come.

5.1. Address global power shifts and geopolitical risks

After decades of globalization and geoeconomics, our world is changing rapidly today, and geopolitical powers are shifting. Geopolitical risks have become a major challenge, for now and for future years, and they are amplified by climate change, energy transition, shocks like the COVID-19 pandemic, by digital transformation and population aging in many societies. As a consequence, global relationships and structures are being reshuffled. At their Brazil Summit in February 2024, the G20 called for international organizations such as the Bretton Woods Institutions to be reformed to ensure that they can effectively address these geopolitical power shifts and the related challenges. This view is supported also by the UN Secretary-General António Guterres, who recently pointed out that "…nearly 80 years later, the global financial architecture is outdated…", i.a. as more than three-quarters of the current IMF and World Bank countries had not taken part in the Bretton Woods Conference.[12]

In this respect, I welcome the increasing democratization of the IMF Executive Board that has been achieved by adding a twenty-fifth seat for sub-Saharan Africa. In addition, we are debating at an international level about repositioning the institutions' leadership by strengthening underrepresented powers (China, India). This could be achieved once quota allocations and appointment mechanisms for leadership roles are adapted accordingly.
The 17th General Review of Quotas in 2028 will be the next potential opportunity since 2010 for the IMF to introduce changes to both voting shares and the quota formula. Without any visible amendments (i.e. increases of voting shares of large G20 countries such as China and India), the Bretton Woods Institutions risk losing their credibility and legitimacy.

In addition, a more unified sovereign debt restructuring framework involving both official and private sector creditors is considered necessary by many observers to speed up the process of restructuring unsustainable sovereign debt. As Maurice Obstfeld highlights in his recently published paper ("Economic multilateralism 80 years after Bretton Woods" [13]), this is an area where China and Western creditors should cooperate in their joint interest.

5.2. Refocus the Fund's mandate

We discussed the focus of the IMF's mandate in detail in the first panel, so I do not want to repeat the arguments raised there except that the discussion was very good and offered a number of valuable suggestions (such as thinking about climate FSAPs). However, let me stress that I think that in order to remain effective, the IMF should refocus on its core mandate and its comparative advantage.

The discussion on the Fund's evolving mandate has also been raised by several well-known proponents such as Paul Tucker and Kenneth Rogoff[14]. For example, Paul Tucker, Research Fellow at Harvard Kennedy School and former Deputy Governor of the Bank of England, in his book "Global Discord: Values and power in a fractured world order"[15] calls for a self-restrained IMF that needs to pursue global stability with legitimacy. The IMF should not primarily focus on issues other than addressing balance-of-payment problems, such as fighting climate change and inequality, although they are of course highly important and need international action. While such emerging topics may help the Fund become popular with public opinion or activist nongovernmental organizations (NGOs), it distracts Fund staff from its core tasks.

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[12] Quoted from: The Debt Problem Is Enormous. Experts Say the System for Fixing It Is Broken. - The New York Times (nytimes.com)
[13] Maurice Obstfeld, Economic multilateralism 80 years after Bretton Woods, CEPR Discussion Paper, January 2024.
[14] Kenneth Rogoff wrote a highly critical commentary in early January 2022 in reaction to rising inflation and its potential impact particularly on emerging markets. He argued that the IMF seemed to be "disenchanted with the job" because "rather than embracing its traditional role of helping troubled debtor countries help themselves, the IMF has been attempting to morph into an aid agency" (Rogoff, 2022). In this later statement, Rogoff criticizes the fact that the IMF is offering increasingly more financial support than in the past with too little conditionality.
[15] Paul Tucker, Global Discord: Values and Power in a Fractured World Order, Princeton University Press, 2023.

The Fund has long-standing experience, adequate tools and the financial means to support countries in crises situations. It can be seen as a "lender of last resort" and plays a catalytic role for countries to access private financing; thus, it can be seen as critical for countries which do not have the means to get back on their feet on their own. This is the primary mandate that the IMF should continue focusing on.

5.3. Secure high qualification of staff

My last point concerns one lesson I learned in my active time at the Bretton Woods Institutions over the decades: It is key to have highly knowledgeable, experienced and loyal staff and senior managers – the latter of the highly trained bureaucrats' type who are politically astute but who are not former politicians without jobs. This is particularly true for the decision-making bodies, where former politicians seem to have gained more prevalence in recent years. It is conjectured that interest of former policymakers in such jobs has increased dramatically as former alternatives of better paid jobs have become fewer in line with the privatization of public enterprises. However, an institution can strengthen and increase its credibility and the quality of its work only through the work of highly qualified and independent staff.

6. Conclusion

Let me summarize: We have come a long way from founding the Bretton Woods Institutions at the end of World War II and from Austria's admission in 1948. The success and impact of the Bretton Woods Institutions cannot be overestimated, and their role is becoming more important than ever in a world facing global power shifts, wars, geopolitical threats and profound challenges such as climate change and digital transformation. From my point of view, addressing geopolitical shifts, refocusing the IMF's mandate and employing experienced bureaucrats and academics in decision-making positions are key for the Fund to be able to continue playing a key role at the core of the global financial safety net.

Let me conclude by quoting Henry Morgenthau once again, this time from his closing speech at the Bretton Woods Conference[16] – and I believe his words are still as relevant today as they were back in 1944: "*We are at a crossroads, and we must go one way or the other. The Conference at Bretton Woods has erected a signpost — a signpost pointing down a highway broad enough for all to walk in step and side by side. If they will set out together, there is nothing on earth that need stop them.*"

[16] Closing address by Henry Morgenthau Jr., July 22, 1944, [Closing address by Henry Morgenthau, Jr (22 July 1944) - CVCE Website]

7. Summary of the panel discussions[17]

At the conference, high ranking representatives of international institutions, such as the IMF, the World Bank, the ECB and academia addressed and discussed the following topics in three panels: (1) the challenges the Bretton Woods Institutions face in the coming years, (2) the green transition and the future pattern of capital flows and global liquidity, and (3) the future of the international monetary system in a digital world.

Panel 1: 80 years of Bretton Woods Institutions: challenges ahead

Governor Robert Holzmann chaired the panel on the topic "*80 years of Bretton Woods Institutions: challenges ahead*" with Ceyla Pazarbaşıoğlu, Director of the Strategy, Policy, and Review Department at the IMF, Pablo Moreno, Director of the Independent Evaluation Office (IEO) of the IMF, and Gertrude Tumpel-Gugerell, former OeNB Vice Governor and former Member of the Executive Board of the European Central Bank, as panelists.

Governor Robert Holzmann introduced the session, which focused on three issues: (1) the evolving nature of the IMF, (2) the necessity to discuss its core mandate especially in relation to the World Bank, and (3) the challenges the Fund may face in the years to come. To set the scene, *Governor Holzmann* described the IMF's originally defined mandate, which is to support countries with balance of payments problems, economic surveillance and capacity development. He added that the expansion of the Fund's activities to include so-called "emerging issues"[18] has sparked a debate not only in the OeNB but also on the international

[17] Authors: Eleonora Endlich and Alice Radzyner (both OeNB, eleonora.endlich@oenb.at, alice.radzyner@oenb.at).
[18] E.g. climate change, gender issues, digitalization, social spending, governance & corruption.

level in the past years. With his policy paper "*Addressing global challenges – should the IMF refocus its activities and the role of the SDR?*" (March 2023), Governor Holzmann aimed to contribute to the debate on the Fund's future direction. The paper was widely discussed in international circles and fueled the debate on the direction of the Fund's work. Governor Holzmann briefly presented the main findings of this policy paper: "*New or emerging issues have to be dealt with on a global scale, since they heavily impact all economies, and more vulnerable ones even more so. I therefore fully support the Fund's intellectual engagement on these emerging issues. Its activities should, however, focus on areas that have been identified as macro-critical*." Governor Holzmann used climate change as the example, as it is one of the key topics that policymakers have to deal with today and in the years to come.

Hence, while the Fund must deal with emerging issues to a certain extent, it is crucial that the Fund focuses on issues with a macro-critical impact and has sufficient resources to fulfill its core tasks. The world currently faces serious geopolitical and economic challenges, with many countries being burdened with still too high inflation and debt levels. Given its unique expertise and responsibility, the IMF is cut out to contribute to tackling these challenges. The Fund should therefore focus on what it can do best and what its membership facing balance-of-payment problems urgently needs, namely short-term financial support. Having said this, Governor Holzmann argued that the question is when, how, and to what extent the IMF should use its financial means and its human resources to address "emerging" activities that go beyond the traditional areas of Fund work and for which other institutions may have already acquired long-standing expertise.

Ceyla Pazarbaşıoğlu described the IMF in her intervention as a "*learning institution*"[19]. Given that the world looks very different today than it did in 1944, the Fund continues to adapt with the times. The interpretation of the IMF's mandate therefore evolved over the past 80 years with shifts in the global economy. Ms. Pazarbaşıoğlu reiterated that the IMF's activities are guided by macro-criticality, i.e. "*whether a policy or issue significantly affects a country's present or prospective balance of payments or domestic stability*". Taking climate change-related policies as an example, the discussion went on to describe how lending, surveillance and capacity development activities of the Fund have changed.

Pablo Moreno informed the audience of the ongoing work at the Independent Evaluation Office (IEO) on evaluating the evolving mandate of the Fund. He described the IMF's Articles of Agreements as having been established with sufficient flexibility for the Fund to evolve, which is why increasingly more topics – deemed as macro-critical – could be integrated into the Fund's areas of activity. In Mr. Moreno's opinion, in the last decade, "*the speed at which things have evolved – including unconventional monetary*

[19] Ms. Ceyla Pazarbaşıoğlu's speech can be accessed at: 80 Years of Bretton Woods and the Challenges Ahead, Speech by Ceyla Pazarbasioglu, Director of the IMF's Strategy, Policy, and Review Department.

policies and the proliferation of objectives for fiscal policies – is enormous and created complexity". The Integrated Surveillance Decision (ISD) of 2012 provided a framework for the IMF to get involved in macro-critical issues beyond the IMF's traditional core policies (monetary, exchange rate, fiscal, and financial sector policies). In Mr. Moreno's view, the question is how to operationalize these newer macro-critical topics and how to assess periodically the Fund's involvement in them. Ms. Pazarbaşıoğlu added that "*what is macro-critical in one country, might not be in another. Add time-criticality: what is macro-critical now, might not be macro-critical tomorrow. The Fund is a technical institution with an analytical component, and questions arise how to incorporate emerging topics into the analytical toolkit, into surveillance and capacity development as well as operationalize it in financial support of countries*". Mr. Moreno added that the ISD allows to distinguish between policies that should "always" be part of the IMF's surveillance policies from other policies that should meet the test of macro-criticality and can be treated with lower frequency and degrees of depth. From his point of view, climate change stands out with respect to its macro-critical aspect compared to other emerging topics.

This initiated a discussion on where the Fund should be heading in the future. Ms. Pazarbaşıoğlu recalled that the integration of the banking and financial sector into the Fund's analyses only occurred in the1990's. Nowadays, Financial Sector Assessment Programs (FSAP) are an established surveillance practice to gauge the stability and soundness of a country's financial sector and assess where the financial sector can contribute to growth and development. Furthermore, FSAPs are done jointly by IMF and World Bank staff in developing and emerging market countries and are therefore a good example of a successful cooperation[20]. Similarly, she added, one could imagine "*climate FSAPs*" becoming a future practice. According to Mr. Moreno, there is clearly a need for longer-term strategic discussions, where the Fund must be offering overarching political guidance: "*in the context of geopolitical fragmentation, we have to be pragmatical, we need plurilateral agreements and coordinated unilateralism*". Given that the Fund has the advantage of a signaling effect and global outreach, it plays a significant role.

[20] In advanced economies, FSAPs are conducted by the IMF alone.

Gertrude Tumpel-Gugerell further accentuated this significant and exclusive role of the Fund. In her opinion, the Fund is unique in being able to link the financial sector with policymakers. She also highlighted the importance of climate change: "*we cannot understand the world today if we don't understand climate change, and we have to understand it before we build it into our models and financing arrangements*". Furthermore, Ms. Tumpel-Gugerell added that the biggest threat to the IMF is its advice not being taken into account.

There is a growing recognition of the need for the Fund to cooperate closely on macro-critical issues with other institutions, such as the World Bank, the WHO and the OECD, in order to effectively respond to emerging global challenges. In order to avoid duplication and so-called "mission creep", Governor Holzmann stressed the importance of an effective cooperation of the IMF and the World Bank, with a clear division of labor between the two institutions. In this context, he welcomed the Joint statement[21] that IMF Managing Director Kristalina Georgieva and World Bank President Ajay Banga issued in the fall of 2023, which gives hope that "*duplications and overlaps will be avoided in the future*". According to Ms. Pazarbaşıoğlu, the IMF and the World Bank "*work jointly and leverage the expertise of both institutions*". Ms. Tumpel-Gugerell agreed with the fact that a certain fragmentation must be acknowledged and can be overcome only by reaching out to relevant stakeholders. Ms. Pazarbaşıoğlu outlined that the Fund has three key roles to play regarding fragmentation: First, it needs to monitor fragmentation and report on it, in close cooperation with other institutions such as the WTO. Second, advice to countries has to remain even-handed, even in a fragmented world. And third, a pragmatic approach is needed where the Fund brings parties together around the table.

The panel was concluded with the outlook that in a shock-prone environment with new and evolving risks, the Bretton Woods Institutions and the IMF in general must continue to fulfill their respective mandates, while effectively and sensibly paying attention to emerging issues, in coordination with other international institutions. The IMF needs to remain relevant and representative of its nearly global membership, while safeguarding its legitimacy by continuing to play the role it has been granted in the fragmented post-war environment.

[21] Joint Statement IMF Managing Director and World Bank President "Enhancing IMF-World Bank collaboration", 7 September 2023.

Panel II: Green transition and the future patterns of capital flows and global liquidity

Panel II on "*Green transition and the future patterns of capital flows and global liquidity*" was chaired by Marc Uzan, Chair of the Reinventing Bretton Woods Committee, and joined by Margarita Delgado, Deputy Governor of the Banco de España, Indermit Gill, Chief Economist at the World Bank, and Moritz Schularick, President of the Kiel Institute of the World Economy as panelists.[22]

Mr. Schularick outlined the developments of capital flows over time and pointed out that cyclicality has always existed. He described the benefits of financial flows to emerging market economies (EMEs), which include smoothing consumption, financing growth and contributing to financial stability, while costs include triggering potential boom and bust dynamics as well as debt problems. The empirical results are mixed as development success stories rarely relied on (net) capital imports (only).

Mr. Gill added that potential growth rates in EMEs (and advanced economies) have steadily decreased. In fact, the potential growth rate in EMEs in the first decade of this millennium stood at around 6%, then decreased to 5% in the following decade, to about 4% at present. Investment growth stood at around 10% in the first decade of this millennium and is now only half this size. With regard to trade growth, the last five-year period was the slowest period since the early 1990s. In this sense, all these trends are going "the wrong way". In Mr. Gill's opinion, the responsibility lies within the G20 countries, as they are the ones who impose the most restrictive trade measures and thereby increase protectionism. This stance, however, contradicts the same countries' need for more investment i.a. in greening-related areas. In this context, Mr. Gill presents the G20 recommendations for financing climate actions (by multilateral development banks (MDBs), private sources), which will put a strain on EMEs, which however may face different priorities at present.

Ms. Delgado argued that cyclicality is due to the impact of geopolitical developments on foreign direct investment (FDI) flows. First, one can observe that many governments (including euro area governments) are currently taking decisions on their FDI based on national security mechanisms. Second, a recent ECB survey with large corporates operating in the EU shows that 75% of them are planning to relocate parts of their operations in the next five years, compared to 40% in the last five years, to politically closer countries. More than half of these companies name geopolitical risks as the underlying factor motivating planned relocation to the EU. Developments of this sort could lead to higher fragmentation and raises questions about the resilience of European markets to geopolitical tensions and cyber incidents.

The panel discussion then moved on to innovative financing and the green transition. According to Ms. Delgado, EMEs account for two-thirds of global greenhouse gas emissions, but at the same time, are also highly vulnerable to climate hazards. Ms. Delgado finds it urgent to address these risks and sees a high need for financing EMEs to facilitate green transition. EMEs generally may rely on the domestic public sector to fund green investments; however, fiscal space is limited and official lending by MDBs is insufficient as well. Mr. Schularick

[22] Ms. Delgado, Mr. Gill and Mr. Schularick joined the discussion remotely.

outlined that according to the International Energy Agency[23], climate mitigation investment needs will amount to roughly USD 5 trillion annually by 2030, of which approximately USD 2 trillion will be needed in EMEs and developing economies; this exceeds public investment capacities. Thus, there is a need to crowd in international private investments, and the public sector should rather be a catalyst for the private sector to invest. The public sector should cushion the risks through offering guarantees and building new partnerships, which will consequently incentivize the private sector to invest capital in profitable ideas. Ms. Delgado emphasized that given that in many countries the fiscal space is shrinking, public finance alone would not be sufficient; therefore, private sources for green transition become necessary. There will be a need to reform the existing frameworks for EMEs to be able to leverage global capital markets or create a suitable public institution.

The panelist then discussed the roles of the different actors involved in the green transition. According to Mr. Gill, the cost of capital to use green technology is 4% in Advanced Economies (AEs) versus e.g. 8% in India and 9% in general in low-income countries (LICs). In his view, given that LICs cannot partake financially in climate risk mitigation measures, AEs should take responsibility and lower the costs of relevant technologies. Generally, Mr. Gill sees a twisted focus in the general discussion on climate, as the political level seems to be discussing the sources of energy (oil, coal, gas, hydrogen etc.) instead of focusing on emissions.

According to Ms. Delgado, central banks have a specific role to play with respect to climate change within the scope of their mandates, namely, to promote financial and price stability, and there has been tremendous progress in recent years on how the consequences of climate change are tackled. The leading role on tackling climate change, however, should rest on governments and legislators. The ECB officially stated that climate change affects price stability due to the risks that it implies for the economy, which is why it has been consciously considered in the monetary policy framework, and now needs to be put into practice. Ms. Delgado named examples of how concrete actions are taken. In 2022 the Governing Council decided to adjust the corporate bond holdings in the

[23] International Energy Agency (2021). Net Zero Emissions by 2050: A Roadmap for the Global Energy Sector

Eurosystem's monetary policy portfolios and its collateral framework, to introduce climate-related disclosure requirements and to enhance its risk management practices.

Furthermore, the Single Supervisory Mechanism (SSM) has put climate-related risks at banks as a supervisory priority as the transition to a low-carbon economy can have an important impact on financial stability. In addition, climate stress tests were introduced, and the ECB issued a guide on climate-related and environmental risks. One of the main challenges with regard to supervisory activities is to obtain good quality data.

In the Q&A session, the focus lied on the role of the Bretton Woods Institutions and the potential need for an international organization focusing primarily on climate change. Mr. Gill argued that before coming up with new organizations, the existing Bretton Woods Institutions should be rejuvenated. All panelists agreed that international organizations should work together even more efficiently to leverage the potential of the numerous existing instruments. Mr. Schularick added that MDBs will have to play a crucial role, e.g. by reducing risks and/or providing guarantees. The question will be how to mobilize the capital needed for two future important topics at the same time, i.e. defense and climate change. In this context, Ms. Delgado referred to the importance of the Network for Greening the Financial System to create deep markets for green bonds.

Panel III: The future of the international monetary system in a digital world – international developments and challenges from CBDC

Gottfried Haber, Vice Governor of the OeNB, chaired panel III on "*The future of the international monetary system in a digital world – international developments and challenges from central bank digital currencies (CBDC)*". The panelists included Ulrich Bindseil, Director General of Market Infrastructure and Payments at the European Central Bank, Cecilia Skingsley, Head of the BIS Innovation Hub and former Deputy Governor of the Swedish central bank, and Yiping Huang, Dean and Professor for Finance and Economics at Peking University.

Vice Governor Haber pointed out that the digital age has transformed the lives of people around the world. The increasing dominance of mobile devices in people's lives has been the catalyst for the emergence of a plethora of digital payment methods that make everyday-life easier. Today, online payment solutions only provide access to commercial bank money. Economies of scale and network effects have led to an oligopolistic payments landscape. The acceptability of commercial bank money depends on its one-to-one convertibility into central bank money, which serves as a monetary anchor. This monetary anchor in turn is at the heart of the functioning of monetary and financial systems. As noted in a recent IMF research paper[24], CBDCs could bring both opportunities and challenges for monetary policy transmission. For some countries, improving the effectiveness of monetary policy is an important motivation for exploring CBDCs; for others, the motivations include modernizing the financial system, reducing future risks associated with rapid digitalization, and lowering the cost of person-to-person money transfers.

Vice Governor Haber then outlined the major reasons for a CBDC in Europe stated in the public discussion: (1) The need to preserve the monetary anchor function and an independent monetary policy: The convenience and opportunities are the main drivers for consumers to increasingly use digital payment solutions – and consequently commercial bank money – which in turn reduces the use of cash. Statistics show that this trend is accelerating over time. The fragmented payment landscape in Europe, dominated by international card schemes, weakens Europe's strategic autonomy, which is key in the current geopolitical context. (2) CBDCs as a robust foundation for economic activity and independence: A trusted payment system is an essential foundation for maintaining an environment in which economic activity can thrive. To be truly trustworthy, a digital currency must be backed by a public authority. (3) International challenges and opportunities: Europe is not alone in designing and evaluating a CBDC. In fact,

[24] Das, M. et al. (2023). Implications of Central Bank Digital Currencies for Monetary Policy Transmission. IMF FINTECH Note/2023/010.

most central banks around the world are currently developing or at least exploring the possibility of introducing a digital central bank currency. At the same time, international financial organizations are also looking closely at CBDCs. The IMF has published a virtual handbook on CBDCs to pool knowledge and help policymakers make decisions. Meanwhile, the BIS is conducting a wide range of projects on the technical feasibility of CBDCs, such as Tourbillion, Mandala and mBridge.

The first round of discussion focused on the core features that any CBDC should have in order to support the monetary system and financial markets. *Ulrich Bindseil* outlined the difference between wholesale and retail CBDCs. While wholesale CBDCs offer a wide variety of options, the public discussions currently focus more on retail CBDCs. However, wholesale and retail CBDCs do not compete with each other and are not directly related; they can be developed in parallel: While retail CBDCs modernize central bank money from banknotes only to electronic money, the value added for wholesale CBDCs, where electronic money already exists, lies in adding new technology. Regarding the underlying reasons for introducing CBDCs, Mr. Bindseil argued that *"[if] central bank money has been a good idea in an analog world, why should CBDC not be a good idea in a digital world?"*. However, many practical questions regarding e.g. the legal tender status, compensation model of banks and potential merchant fees, still need to be resolved. Those central banks that are more advanced in developing CBDC seem to identify similar solutions to these questions: CBDCs should help preserve central bank money as a payment instrument designed from a public good perspective, rather than focus on its "store value". So, in this respect, all central banks have come up with specific limits for holding retail CBDCs.

Cecilia Skingsley outlined the core features of CBDC and compared it to an orchestra: (1) Like a piece of music, CBDC needs a coherent understanding of how we think about money and how central bank money can exist in a digital society. (2) Just like different types of orchestras, CBDC can also exist in different forms. (3) CBDCs – as well as orchestras - need an audience, meaning that they should be easy to use by individuals and companies. Furthermore, she highlighted that CBDCs have to fulfill various conditions: they need to ensure safety, stability, accountability and trust, while remaining useful and efficient at the same time. Moreover, CBDCs need to be inclusive and they have to be able to provide cross-border payments while at the same time ensuring the principle of privacy.

Huang Yiping argued that there are three main aspects in the discussion around CBDCs: (1) A CBDC is digital central bank money and therefore has to meet the three core functions of money: means of payments, unit of accounting and store of value. The question is whether CBDCs can deliver in all three areas. (2) Specific features which are necessary for CBDCs to work include privacy, inclusion, efficiency and safety, as well as safeguarding financial stability. (3) The features that are needed for CBDCs depend on what central banks want. Recent surveys looked at the motivation of central banks behind developing CBDCs. The results showed differences between EMEs and AEs: while in EMEs financial inclusion is of higher importance and retail CBDCs are much more popular, the focus in AEs rather lies on wholesale CBDC or cross-border payments. In this respect, Mr. Huang stressed that "*what is needed from a CBDC depends on what constraints a country faces*".

Mr. Huang described that when the People's Bank of China (PBoC) introduced the digital yuan (e-CYN), the public was at the beginning not enthusiastic, and the take-up was not particularly high. Ms. Skingsley argued that smart contracts and their impact might, however, lead to a system change regarding the functioning of markets and society. Furthermore, she highlighted the importance of tackling potential risks to financial stability, as digital money can also cause digital bank runs. In addition, CBDCs could be perceived as a threat to the banking system if they are taken up well in a country.

Vice Governor Haber then asked if in theory a holding limit of zero would maximize the transaction aspect of retail CBDCs while minimizing the store of value. Mr. Bindseil replied that this would be too restrictive and defended the holding limit of EUR 3,000 proposed by the ECB; this should address forcefully the main financial stability concerns. However, a topic of concern might be the future seigniorage income of central banks if the volume of central bank money in circulation decreases. Mr. Huang added that the PBoC took financial stability concerns into account in the design of the e-CYN with a two-layer system also in order to stop a potential disintermediation process. Ms. Skingsley informed on innovative elements seen so far in a number of projects, mBridge being a very prominent example, which enable cross-border settlement between several countries. Mr. Bindseil concluded that the success of a CBDC – such as the digital euro - will ultimately depend on its take-up and use by a sufficiently large number of people.

Conclusion

The discussions on the mandate of the Bretton Woods Institutions, green transition and capital flows as well as digital central bank money showed how the world economy is constantly evolving. The following conclusions can be drawn from our three panel discussions: **First, given that the world looks very different today than it did in 1944, the IMF also continues to adapt with the times**. The interpretation of the IMF's mandate has evolved, and while the IMF makes sure that its activities are guided by macro-criticality, climate change seems to stand out as a new emerging topic. In any case, it is seen as highly important that the IMF remains at the core of the global financial safety net. **Second, instead of creating new international institutions to tackle the climate crisis,** public actors and the existing, experienced Bretton Woods Institutions and MDBs may have to be adapted to leverage the potential of the numerous existing instruments more efficiently. **Third, the success of a CBDC – such as the digital euro - will ultimately depend on its take-up and use by a sufficiently large number of consumers**.

In conclusion, the global community will need to find the right balance between effectively fulfilling its players' respective mandates, while achieving the common goals of stability, prosperity, and environmental sustainability amidst the rising challenges.

8. Interview with Christian Just, Alternate Executive Director and Austrian representative at the IMF: The IMF today and tomorrow

Mr. Just, you joined the IMF in November 2012. Back then, the world was in upswing after the economic and financial crisis of 2008 while Europe was being challenged by a debt crisis. Today, the situation is different. We have recently come out of a pandemic, there are multiple political crises around the globe, the climate crisis is worsening, and inflation is still not back to target. Would you like to travel back in time or is the timing just right to be working at the IMF?

I can give you a short answer: whatever the weather, the provisions of Article I of the Articles of Agreement should hold and policies should be geared toward macro-financial stability.

Now for the long and winding answer: Of course, this moment in time is a bit peculiar as the world economic order built since 1944 and the spirit of Bretton Woods are seriously being challenged. The Fund has to grapple with non-linearity of progress, that many of its conceived macroeconomics wisdoms (liberalization, primacy of economic efficiency and of markets) are being contested while industrial policy, state intervention, building of reserves and capital flow measures are suddenly permissible, and national security trumps all. Climate change is challenging the way the Fund is thinking about its macro-policy framework or even its financial programming since the future has become a lot more uncertain with climate change, where natural disasters and environmental degradation have the potential to significantly reduce potential output. This end of economic linearity also brings into sharper focus questions of fairness, economic opportunities and equality within and between countries. On average, we don't know whether children today will be better off as adults tomorrow. So the timing is always right to work at the Fund but especially now.

Still, I wouldn't mind going back in time, to say 2017 or 2018, and be more vocal on adjusting the macro-policy mix. While we are always much wiser afterward, policymakers remained passive for far too long. There was too much financial sector dominance of monetary policy – interest rates were ultimately too low for far too long.

You are the Alternate Executive Director of a so-called mixed constituency. This group of countries includes one G20 member, a mix of EU members and non-EU members, as well as three euro area countries. Besides finding a common position within the group, your job requires you to respect positions agreed at European levels. In the end, you are supposed to represent multiple interests with one voice at the IMF's Executive Board. How would you describe this process?

My purist answer: as a member of the Board of the IMF, my fiduciary duty is to the Fund. My decisions must be guided by the purposes of the Fund (Article 1) and must be consistent with the provisions of the Articles of Agreement and the resolutions of the Board of Governors. This guides our internal constituency decision-making process.

What in your view are the key factors for effective and successful cooperation within a constituency?

Trust, openness, honesty and respect (so please leave your ego at the door)!

The Board of Governors concluded the 16th quota review in December 2023, approving an increase in quotas by 50%. The next step is for member countries to consent to their respective quota increases. What does this step mean geopolitically and how do you see the chances for underrepresented countries to get more weight in future decision-making processes at the IMF?

I'm struggling with this decision as it ultimately doesn't amount to more than a shift in our accounts. We will reduce borrowed resources and increase our own resources by the same amount. Otherwise, nothing will change. So it says a lot about the state of multilateralism. But given that multilateralism is being contested, it is also a success as we managed to agree on something, so maybe there is still a bit of life left in the old Bretton Woods lady.

Do you see a real chance for a shift in power in decision-making?

As Austrians, we should be most concerned about the quality of the decisions made and that the decision-making process is not entirely dominated by a handful of very large but also very closed economies. Decision-making should reflect the fact that the vast majority of Fund members are small or medium-sized and often very open economies which are located not only in Europe but also Asia, Africa, the Middle East and South America. What those members including Austria need is a rules-based system which gives them a voice and the possibility to shape decisions.

What is the IMF's role in the Global Financial Safety Net today?

Again my purist answer is that the Fund's role today is little different from its role over the past decades. The Fund makes its resources temporarily available to member countries that have a balance of payments need against adequate conditionality. The issue many inside of the Fund are grappling with is that the Fund is no true lender of last resort and can only offer partial insurance for those countries that are uninsured.

There are several challenges the Fund is facing: long-term use of its resources in a handful of countries; tensions between the need and pace of the required adjustment and domestic political economy considerations/domestic ownership; the lack of an enabling external environment and of growth more generally, which makes it exceedingly difficult to grow yourself out of economic malaise, regain market access and repay the Fund; the structure of debt with an increasing share of unrestructurable debt to multilaterals, an increasing share of domestic debt (which per se isn't bad unless maturities get ever shorter while coupons get ever higher) and the issue of non-traditional or non-Paris Club lenders (again, I very much welcome that the official lending space has more actors as this has also increased the pool of resources available to countries but when push comes to shove and a restructuring becomes necessary it is critical not to ignore many of the lessons learned over the past decades.)

Where do you see the main challenges ahead for the IMF?

Let's start with the Fund's internal corporate governance which is still stuck in the 1950s. The Board made a major step forward by approving an Enterprise Risk Management Framework, which, once it is actually implemented, would come close to a cultural revolution as it would define business processes, enhance transparency as well as accountability of both the Executive Board, IMF Management and staff.

In surveillance, there is a clear need to move away from short-term demand management to more medium-term (structural reform) issues with the objectives of macro-stability and resilience to the extent possible. The challenge is increasingly selectivity. Country authorities are approaching the Fund with ever more policy questions, which appear seemingly macro-critical. Fund management often feels compelled to help. Fund staff is then left with the unthankful task that we also need to get our heads around policy questions which to some extent are macrocritical but are difficult to mainstream into Fund thinking such as climate change. The Fund's climate change strategy was an important step forward, but the Fund is still struggling to find its role and voice or what the objective of its climate work is. Some multilateral development banks (MDBs) like the EBRD have adjusted their operations and are now helping their member countries meet their Nationally Determined Contributions (NDCs) in the areas that fall into their respective mandates. Maybe this would also help the Fund standardize its engagement on climate change across the membership (and possibly could include some monitoring of progress toward meeting specific NDCs). Digitalization and artificial intelligence are also great unknowns both in terms of how they will shape the Fund's internal operations but also its operating environment and the international monetary system. This is all the more true of geopolitical fragmentation for which the Fund is not at all equipped. The question of relevance and legitimacy could come back with a vengeance if, at a time when the Fund may be needed more than ever, it is either not seen as legitimate because it is perceived as taking sides and/or it is losing relevance as it's trying too hard to please too many.

If you had a magic wand, what would you like the future of the IMF to be like?

Bright (maybe a little bit less political, maybe a little bit more technocratic and with a clear understanding of the leeway but also constraints provided by the Articles of Agreement).

You have been working at the IMF for more than 11 years now: Which event or decision has made the deepest impression on you and why?

There are many but what has made the most lasting impression on me are the people that work incredibly hard and are willing to go the extra mile to make these decisions possible – the Fund's staff.

Christian Just

Christian Just has been the Alternate Executive Director for Austria, Belarus, Czechia, Hungary, the Republic of Kosovo, Slovakia, Slovenia and Türkiye – the so-called Central and Eastern European Constituency (OEDEC) – since November 2014. Prior to that, he worked as an Advisor at the OEDEC office at the IMF. Christian Just started his career as a trainee at the Bayerische Landesbank (1992–1995) and as research analyst at the Peterson Institute (2000–2001). He joined the EU and International Affairs Division of the Austrian central bank in 2001. He then served as an advisor at the IMF from 2005–2006. Just worked as IMF Desk Economist at the European Central Bank from 2006–2007 and at the European Commission from 2007–2011. Before he joined the IMF, Christian Just served as Advisor to the Austrian central bank's Vice Governor from 2011–2012.

9. Interview with Johann Prader, former Executive Director and Austrian representative at the IMF: Traveling through time

Mr. Prader, after having spent almost 30 years representing Austria at the International Monetary Fund, you are now back in Austria. How has your life changed and how did it feel to let go of this significant role that you embodied for almost three decades?

All good things come to an end. I considered every day at the Fund a privilege as the work and the exchange with the staff and the Board colleagues was so interesting and thrilling. On any international economic and political subject one could get in touch with a desk officer or a colleague at the Board. After 25 years as an Alternate Executive Director in the so-called Belgian constituency, the move to 2 years as Executive Director (ED) of the Central and Eastern European Constituency brought also a new experience in the importance of rank in a highly centralized and quite formal institution. This could have led to personal delusions. So despite the offer of my authorities to continue as AED after the transition to a Turkish ED I think it was best to finish my work at the peak of my career at the Fund.

From Washington, D.C. to Rosenburg, Austria – did your move back to Austria feel like a U-turn or did it open up a new space for freedom and creativity?

Leaving the Fund is difficult for anyone because it is perhaps the best job in the world for anyone working in the intersection between politics and economics and also because the work atmosphere in this central institution of the international monetary system is so exceptional and satisfactory. I saw Executive Directors from large and small countries cry when they delivered their farewell speeches at the end of their terms at the Fund! So of course like everyone leaving the Fund I had withdrawal symptoms after the Fund and Washington. But I was always aware that my position at the Fund was not only a matter of personal qualification but was ultimately due to the trust and cooperation of my Austrian authorities and historical coincidences. The transition to retirement was facilitated by the support of my family and friends as well as my hobbies and a sense of discipline.

Coming back to your task at the IMF for Austria: Why is the IMF important for a rather small country like Austria in the middle of Europe?

The economic success and social peace of Austria after World War II are due to the integration of Austria into the world economy and the monetary framework provided by the rules of the Bretton Woods Institutions. Two-thirds of Austria's economic output depend on international demand. When I accompanied Managing Director Michel Camdessus in October 1990 to Prague, the Czechoslovak minister of foreign affairs, Jiří Dienstbier, focused on the comparison with the situation of Czechoslovakia and Austria in the interwar years when Czechoslovakia was one of the most advanced and affluent countries in the world and Austria an extremely poor and backward country. After Czechoslovakia became part of the Soviet colonial empire and was forced to leave the IMF, the economic fortunes of Czechoslovakia were reversed, resulting in falling behind Austria's GDP per capita in the early 1960s. Since Austria was disproportionately involved in trade and investment in Eastern Europe, the IMF's financial programs and economic advice had enormous importance for Austria in the transition of Eastern Europe to market economies and in the course of the financial crisis of 2008/9. However, the recent accumulation of international economic and political crises could give rise to self-destructive daydreams of economic and political autarky and nationalism. The participation in economic fora of cooperation like the IMF should further the understanding of international interdependence for the stability of the world. For a small country like Austria the annual independent economic review in the context of the consultations with the IMF is particularly useful.

You negotiated and founded the so-called Central and Eastern European constituency in 2012, which is still in place today. This group is supposed to speak with one voice on the IMF's Executive Board. Could you describe the negotiation process and how this heterogenous group of countries found each other in 2012?

In the context of the G20 framework for giving a larger voice to emerging market countries at the Fund, the European countries agreed to relinquish "up to two chairs (= ED positions)" at the Executive Board. This significant European concession put enormous pressure on smaller elected European constituency chairs to reorganize. The Belgian constituency negotiated from the fall of 2010 to early 2012 with the member countries of the constituency. We were led to believe that Belgium would keep its constituency together by making concessions in the form of giving up partly its full-time ED position. However, confidence in the transparency and honesty of the negotiation process collapsed after in a letter of the Dutch and Belgian prime ministers to the French President the countries of the Belgian constituency were presented - without their knowledge and as a "fait accompli" - as having accepted to be part of a future giant Dutch-led constituency. As the Dutch constituency had no bill of rights for its member countries in the form of a constituency agreement and the Dutch chair had a reputation of being overbearing, member countries of the Belgian constituency, in particular the Czech authorities encouraged Austria to take the lead in negotiating a new agreement. At that time, Türkiye was still under the illusion that it could form a constituency of its own. Austria submitted its plan for a new constituency at the last meeting with the Belgian side in Prague in March 2012. The meeting was chaired by the Czech governor offering the Belgian delegation the choice between joining the proposal or going for a beer at the expense of the Czech central bank. The key idea was a rotation of the ED position between the major emerging market countries of the former Belgian constituency. In the end our proposal led to major concessions on the part of Switzerland and the Netherlands to Poland and Belgium, respectively. In order to keep Poland, which appeared for a while interested in joining our constituency, Switzerland offered Poland the ED for the same period, i.e. 4 years. The Netherlands also suddenly accepted to alternate the ED position with Belgium every four years. Our plan was favorably seen and supported by a number of developing country constituencies at the Fund. They helped us significantly in convincing Türkiye to accept rotation with the Central European countries instead of insisting on 100% ownership of the ED. Our negotiations were under significant time pressure both in terms of the need to be ready for the election of the new Executive Director in October 2012 in Tokyo and also in terms of preventing attempts by some major countries to derail the constituency formation process. In the end it came all nicely together in the signing procedure by the governors of the new constituency at the Vienna Hofburg in July 2012.

Besides the fact that Austria negotiated a permanent position as Alternate Executive Director or Executive Director for its representatives for a few years – what in your view are the main differences between the constituency formed in 2012 and the former constituency to which Austria belonged (Belgium, Belarus, Czechia, Luxembourg, Slovakia, Slovenia, Türkiye, Kazakhstan)?

The new constituency represents above all a larger voice for Türkiye and the Central European countries at the Fund. When we thought about what could motivate the Central European countries to accept the risk of a new constituency, I had in mind that Czechoslovakia was one of the founding fathers of the Bretton Woods agreement in 1944 and had a full ED position in a constituency with Yugoslavia until it was forced to leave the Fund in 1950. It was clear from the talks with Czech representatives that the proposal offered the perspective to symbolically undo at least part of the damage inflicted by the Soviet political and economic system. The Hungarian authorities also realized from the beginning the opportunities of the new proposal and were very helpful in getting the agreement together speedily. While Türkiye took some time to accept the new scheme, in the end it was generous and accepted the contours and the timetable of the agreement. I think that Belgium lost the most by not defending the constituency. However, it must be admitted that the new constituency also has drawbacks: The "old" constituency with long-serving Belgian EDs and Austrian AEDs provided more influence and visibility at the Board table with staff and management as they could speak with more experience and recognition than Executive Directors who rotate every two years.

What in your view are the key factors for effective and successful cooperation within a constituency?

The best advice on how to keep a diverse constituency together was given to me by the legendary Brazilian ED, Alexandre Kafka: "Show respect to every member of your constituency". More specifically, the most important factors are 1) a good cooperation and trust between the governors, 2) the appointment of qualified, responsible and hard-working representatives by the member countries, 3) a solid understanding of the various specific and common interests and differences of the constituency members, and 4) regular meetings, seminars and staff visits between central bank and ministry of finance institutions' staff.

How would you rate the independence from national and European authorities when representing a mixed constituency at the IMF? Especially in your former role as EURIMF representative (twice!), i.e. the group of European representatives at the IMF, how would you describe the coordination and decision-making process – at national, European and IMF level?

There is no straightforward answer to this. The subject of the degree of independence of Executive Directors has always been controversial. As pointed out in Joseph Gold's fascinating and eloquent essay " Voting and Decisions of the IMF" (Washington 1972), the Articles of Agreement are silent on the issue of independence of EDs. Should Executive Directors consider the views of the authorities as instructions or a "velleity"? Gold comes to the view that the "personal qualities and experience of an appointed executive director, including his knowledge of the Fund, may make it possible for him to exercise great influence on the guidance that he receives from the domestic authorities, or to feel confident on most issues that he need not consult". Definitely, the construction of an elaborate system of consultations between EU member states directors and other representatives at the IMF has added another layer of complications but also more influence on Europe at the Fund even without the establishment of a so-called single European chair at the Fund.

I should like to mention in passing that without my role as chairman of the EURIMF-representatives at the Fund in the second half of 1998 in the context of the preparation for the European monetary system it would have been more difficult to get a consensus in the Fund to move from a system of allocating members' contributions to IMF loan operations from an allocation key based on gross international reserves to IMF quota shares. This was a very divisive issue, in particular for countries which felt disadvantaged by the inequitable distribution of financing shares - such as Austria. Before this reform they considered other countries with low financial contributions but much higher representation as free riders. Resentment against the IMF's allocation key reached extreme levels, such as imprudent attempts by one central bank to block the IMF's critical loan to Korea at the peak of the Asian financial crisis.

How much are decisions taken on the Executive Board the result of a compromise due to the aforementioned rounds of negotiation and common positions agreed elsewhere?

The Fund's success and reputation as an efficient and trusted international organization has always rested on avoiding to the extent possible formal decisions. Most of the time there has been a spirit of seeking an "atmosphere of reciprocal considerations" (Gold). The British culture, i.e. to further consensus by using the British language style of understatement rather than resorting to blunt words, allowed the institution to get along with the multitude of very diverse members. At the same time, the role of outside groups (in particular the G20, G7 etc) and major shareholders, in particular the US, cannot be underestimated. Small countries have criticized the overbearing role of major shareholders and the lack of equitable distribution of influence and power. On the other hand, the experience of absence of a US hegemony and leadership in the Bretton Woods Institutions has led to a feeling of helplessness and unraveling of stability and direction.

If you compare the upswing the world was experiencing while you were at the IMF to the overall picture we face today, including economic and political crises, the COVID-19 pandemic and its consequences, as well as the climate crisis, would you have liked to travel in time and tackle the challenges ahead?

I have to admit that working at and for the Fund before the Covid-pandemic was much more interesting than it seems today. I was quite surprised when I revisited last fall the Fund for the first time in 6 years. It seemed like an almost empty deserted place, quite a contrast to the lively atmosphere I witnessed during my time at the Fund.

Where do you see the main challenges ahead for the IMF?

The former Deputy Managing Director Richard Erb saw the flexibility of the Fund as its main strength. Contrary to some German colleagues who insisted on a strict interpretation of the Articles of Agreement and deplored any deviation from that legal framework, he was fascinated by the extraordinary creativity of the Fund's shareholders and its legally extremely independent Managing Directors. I am afraid that Russia's and China's announcement to form an alternative international monetary system (after Russia's attack on Ukraine led to Western sanctions involving the international payments system) could constitute in the long run a major challenge to the central role of the IMF in the official international monetary system and a return to the exodus of some important countries from the Fund- just like after the onset of the Cold War. Ultimately, the fate of the IMF will be decided by the outcome of the struggle between G20 countries. On one side are the Western powers which dominated the IMF until the changes in the composition of the shareholders, in particular after the admittance of mainland "red" China in the 1980s and the return of the members of the defunct former Soviet Union to the table of the Fund Executive Board in the 1990s. On the other side are the countries threatening to build an "alternative" monetary system. Obviously, Austria, which has been one of the outstanding beneficiaries of the Bretton Woods system, has nothing to gain from fundamental change.

If you had a magic wand, what would you like the future of the IMF to be like?

I have lived, learned and worked at the IMF during a time where excellent staff and Managing Directors like Michel Camdessus steered the world through the Latin American debt crisis, the Asian financial crisis and the transition of formerly centrally planned to market economies. I also recognize the amazing leadership of Dominique Strauss-Kahn during the financial crisis of 2008/09. Our constituency also owes a lot to Christine Lagarde who helped us to get acceptance for our new constituency concept among the G20. Against this background, I wish the Fund to be blessed with innovative, exceptional, resourceful and quite independent Managing Directors who are accepted and supported by a well-qualified and hard-working staff.

Thinking back to your time at the IMF: Which event or decision made the deepest impression on you and why?

I remember the lunch given by then-MD Camdessus after the Board meeting at which the IMF loan to Poland in 1990 was approved, launching the adjustment and reform of Poland after the collapse of Soviet rule of Eastern Europe. Austria participated not just by providing its share of foreign exchange for the IMF loan but also put in a significant amount for the establishment of a stabilization fund. But most of all, Austria was also the relatively most affected international creditor to Poland because of the 50% debt relief agreed as part of the IMF adjustment and reform program. I was proud that Austria was very helpful in this large international effort but I was also shocked when the then US ED bragged that "never have we twisted so many arms". The US which had no credits outstanding to Poland had used its power to enforce a very large debt relief from Poland's bilateral creditors. This was a lesson in the consequences of small countries' imprudent financial overexposure and pursuing political objectives with incommensurate financial means. Unfortunately, there were more mixed episodes of pride and embarrassment about Austria's role in Eastern Europe to come.

Johann Prader

Johann Prader started his career at the Austrian central bank as an economist, first in the Foreign Research Division, then in the International Division, today's EU and International Affairs Division, where he became Deputy Head eight years later. In 1987 he moved to Washington, D.C. as he assumed his duties as Alternate Executive Director at the IMF representing the constituency of Austria, Belgium, Luxembourg, Hungary and Türkiye (joined by Belarus, Kazakhstan, Slovakia, Czechia and Slovenia in 1990). In 1998 and in the first half of 2006, he held the position of President of the EURIMF group (European representatives at the IMF); from July 1, 2005, to June 30, 2006, he served as Eurogroup President at the IMF (representing euro area members from the Executive Board throughout euro area consultations). Prader negotiated a new constituency agreement, based on which he became the Executive Director for the newly founded constituency comprising Austria, Belarus, the Czech Republic, Hungary, Kosovo, the Slovak Republic, Slovenia and Türkiye from November 1, 2012, until late 2014. Johann Prader holds a Ph.D. in Social Sciences from the University of Salzburg (1975) and studied Economics at the University of Vienna. He is the author of several papers on international finance issues and Austrian income policy.

10. Agenda of the conference

12:30 **Welcome remarks Kristalina Georgieva** (online)
Managing Director, International Monetary Fund

Video (https://youtu.be/I-EMsPsKtiU**)**

Opening Remarks Robert Holzmann
Governor, Oesterreichische Nationalbank

Opening Remarks Marc Uzan
Executive Director, Reinventing Bretton Woods Committee

13:00 Keynote speech
Axel Weber
Professor, Group of 30, Goethe University Frankfurt

13:30 Session 1: **80 years of Bretton Woods Institutions and challenges ahead**

Chair
Robert Holzmann
Governor, Oesterreichische Nationalbank

Panelists
Pablo Moreno, Director Independent Evaluation Office, IMF

Ceyla Pazarbaşioğlu
Director for Strategy, Policy, and Review Department, IMF

Gertrude Tumpel-Gugerell
Former Vice Governor, OeNB, Former Member of the Executive Board, ECB

15:30 Session II: **Green transition and the future patterns of capital flows and global liquidity**

Chair
Marc Uzan
Executive Director, Reinventing Bretton Woods Committee

Panelists
Margarita Delgado (online)
Deputy Governor, Banco de España

Indermit Gill (online)
Chief Economist, World Bank

Moritz Schularick (online)
President, Kiel Institute of the World Economy

17:00 Session III: **The future of the international monetary system in a digital world**

Chair
Gottfried Haber
Vice Governor, Oesterreichische Nationalbank

Panelists
Ulrich Bindseil
Director General, European Central Bank

Yiping Huang
Professor of Economics, Peking University

Cecilia Skingsley (online)
BIS Executive Committee, Bank for International Settlements

18:30 End of conference

19:00 **Dinner speech "Austria's role as member of the IMF: past, present and future"**

Robert Holzmann
Governor, Oesterreichische Nationalbank