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Voiceover: *A Deeper Look. Exploring what works and what doesn't in development, and the changes we can make together to turn ideas into action.*

Patrick Fine: Hi. I'm Patrick Fine, CEO of FHI 360, and this is *A Deeper Look* podcast. As our returning listeners know, this year on *A Deeper Look*, we're examining the trends that will shape the future. We've had to cope with the fact that, in March of this year, the world was plunged into a global pandemic that shut down economies and has profoundly affected the lives of just about everybody on the planet. And, that is causing us and the guests to take stock of the future and reevaluate what some of the trends will be and where we think the human development challenges will lie. In this episode, I have the great opportunity to speak with Andrew Spindler.

As President and CEO of the Financial Services Volunteer Corps [FSVC], Andy leads and oversees FSVC's work to help build sound financial infrastructure needed to support job creation, economic growth and a better quality of life in emerging market countries, in developing countries. Andy has been with FSVC since 1993. So, Andy, as the leader of the Financial Services Volunteer Corps, you've had the opportunity to work in developing countries all over the world for the last nearly 30 years. So, I'm sure that you have many insights into the challenges and the evolution of financing for development over the last three decades. Financing for development is the critical component to getting things done. But often, I find within the development community and within the development dialogue, [it] gets overlooked or doesn't get the attention that it really requires.

Thank you so much for being here today.

Andrew Spindler: I'm delighted to join you. I really appreciate the invitation to talk with you and I'm eager to have this exchange.

Patrick Fine: Andy, I know that you have a PhD from [the School of Public and International Affairs at] Princeton, and that before joining and taking the helm of FSVC, you were at the Federal Reserve for many years as a senior vice president, at the New York Federal Reserve, and prior to that, in banking. So, you come to this from a life of a banker. Let's start with you telling us a little bit about FSVC.

Andrew Spindler: FSVC, or the Financial Services Volunteer Corps, is a unique not-for-profit organization with the mission of helping to build the sound financial infrastructure that is required to have a healthy market economy. A premise of our work, which I think is a very valid one, just as valid today as it was when the organization was founded in 1990, is that you can't have a healthy market economy without a decent financial sector. With a healthy market economy, you have an opportunity for job creation, and economic growth, and a better quality of life in a country that is impossible without it. What a healthy financial sector can do, is it can facilitate all of the financial flows that are essential to run day-to-day businesses, whether small or large, to provide a repository for savings of ordinary people as they go about their lives and try to think of the future.

It provides the plumbing, the payments infrastructure that is essential to keep an economy moving, and prerequisites in a healthy financial system are a good central bank that can lead the financial sector, a good capability to supervise banks and other financial institutions. You need a healthy banking sector that can lend in a responsible arms-length way to credit worthy individuals and enterprises to fuel the economy. You need capital markets that can also fuel the growth of companies, as they need capital to support their growing operations. And, you need a payment system [that] kind of envelopes all of these other institutions. And, there are lots of other components, but those are the core ones. And, over the years, FSVC has focused in a demand-driven way on building these key pieces of infrastructure that are necessary to make a financial sector and an economy work smoothly.

A key part of our approach is demand driven. We only work in countries where we're invited. We don't go in with an agenda of our own. Rather, we identify reformers in these countries and try to support their agendas, because we've learned that an agenda of our own isn't successful. It's reformers in these countries that have to lead the process of their own country's evolution. And, we can provide valuable backstopping for good reformers, essential backstopping to help them get where they want their countries to go. A key way that we've operated, also, is by sending experts on a volunteer basis, a pro bono basis. And, that's been important in a lot of ways. There's no profit motive that's driving the delivery of our technical assistance. Rather, we're drawing on individuals who've been very successful in their own careers.

They're stepping back from their jobs and wanting to share some of the knowledge and experience that they developed in very successful careers frankly to help make the world a better place. And, that kind of honest motive is quickly perceived by most counterparts. And, it tends to lead to a bonding and trust, practitioner to practitioner, that facilitates the delivery of very effective assistance. So, we've now worked in 60 countries over the last 30 years, basically true to that model.

Patrick Fine: Well, you used a very important word there, which is *trust*. And, what we have found is that a key ingredient for effective development work, and any kind of effective professional collaboration, is trust. Now, you joined FSVC in 1993. In 1993, I was working on financial sector reform in Uganda.

And, what we were trying to do at the time was to create effective bank supervision at the central bank, so supporting the central bank to develop its capacity to supervise private commercial banks. Because at the time, there were no commercial banks in Uganda. They were state-owned banks. So, we were working with the government of Uganda to establish the infrastructure for the financial sector, which included establishing a stock exchange. So, working on capital markets as well. Tell me, what have you seen over the last nearly 30 years in terms of evolution of financial sectors in frontier markets or in developing countries? And, then, what do you see in the future, in the years ahead?

Andrew Spindler: That's a very broad question, Patrick. And, you're taxing my memory, all these years of work.

I think one of the changes that I've seen is a much greater concern with governance and an awareness of the responsibility of banks and of a banking sector. And, some of that has come from within the banks themselves, and some of it has been imposed on them by a changing world. When I started this work, there were not a lot of rigorous international standards for banks. They had just begun to form a global set of standards in the late 1980s. And, in fact, I was quite involved in that work to set up the first global capital framework when I was at the New York Fed [Federal Reserve]. And, I also sat on the Basel Banking Supervision Committee that is the principal committee supervising the global banking system and setting supervisory standards.

The key institutions, like the Basel Committee, existed, but their work was limited to certain areas, such as capital standards, principally, at that time, with some other broader concerns, but capital was really number one. Over the intervening years, there have been many more international standards that have developed. And, not just from the Basel committee, but other key organizations, also. Some of them not so visible, in either the media or even to development experts. Yet, one that I would cite, that I think has played a really critical role in the last 10 to 15 years, is something called FATF, F-A-T-F, or the Financial Action Task Force. And, this organization operates out of some offices, a floor of offices in the OECD [Organisation for Economic Co-operation and Development] complex on the fringes of Paris. And, they set global standards for what we call AML/CFT, Anti-Money Laundering/Combating the Financing of Terrorism.

And, when this work started in the early 1990s, there weren't many teeth. It didn't bite very hard. Today, it really bites. The teeth are quite strong and rigorous, and banks and countries that are not compliant with FATF standards for anti-money laundering and combating the financing of terrorism find themselves cut off from the global financial system. That's a big change from when I started this work. And, that's both a valuable tool for someone like myself in development, and others like me, because we find that the counterparts in financial sectors and developing and emerging market countries are more incentivized than they ever had been in the past. They will be reduced to irrelevance if they don't meet these global standards. But at the same time, they're facing a cut-off right now from the global financial system that's very threatening to them and that also didn't exist 30 years ago.

Patrick Fine: That makes me think of the challenges with combatting corruption. Would you say that this system, the Financial Action Task Force, would you say that the enforcement mechanisms are possible now as a result of digitizing financial transactions?

Andrew Spindler: I think that's important, but it's going to become even more important. Over the next 10 years, the opportunities through Fintech to monitor large volumes of financial transactions and to identify elicit behavior, that capacity is going to grow globally, and it will be a strong tool for emerging market countries. But I think another factor here, though, just as important, is that commercial banks out of Europe and the United States simply won't deal with banks in Africa, South Asia, other parts of the developing world, if they don't meet the FATF standards.

And, this is quite threatening to these banks.

Patrick Fine: Are those standards in force right now?

Andrew Spindler: Yes, they are.

Patrick Fine: So, the banks have to comply with them right now?

Andrew Spindler: Yes. And, they're rigorous. And, most banks in developing countries are not fully compliant. Most countries are not fully compliant. And, another fact in this system is that FATF now does mutual evaluations that are conducted on every major country in the world today, on a schedule of a certain number per year. And, if a country performs poorly on a mutual evaluation, then it's likely to see its access to the global financial system severely curtailed, if not cut off, with profound implications for capital flows into that country, for the development of key economic sectors, say sectors that are involved in imports or exports.

If you don't have access to dollars, which you need the international financial system to provide, then whole sectors that need dollars can't flourish.

Patrick Fine: Sure. If your financial system is not permitted to interact with the world economic order, then you can't really function as a modern country.

Andrew Spindler: Exactly.

Patrick Fine: This speaks to the growing sophistication of financial systems and to the growing integration of financial systems at a global level. With the trends that we see now, do you think that level of integration and that growing sophistication, do you see that as a continuing trend, or do you think there will be pushback against it?

Andrew Spindler: I think it's a continuing trend. A broader trend here that's affected everything is the way the world has shrunk. It's a much smaller place today. We're all so interdependent.

A country can't just cut itself off from the global economy, the global financial system, or frankly, the global anything. The pandemic is evidence of that. It's not just disease that can flow rapidly around the world in almost a matter of minutes or days, but information flows, financial flows. The speed of communication has accelerated so much over the last 20 to 30 years. And, the cost of being cut off is higher now, also.

Patrick Fine: I can see that no country is going to want to be cut off from the global financial system. But at the same time, I do see politics developing in many countries around the world moving in a direction that puts more emphasis on sovereignty. If you look at Brexit, that would be an example of a country that says we don't want to be governed by global standards, we'll set our own standards.

If you look at the U.S.'s position vis a vis the World Trade Organization [WTO], the U.S. is saying, we're not going to be governed by the WTO, and is looking at extricate itself from that global governance mechanism. Do you see any similar trends within finance?

Andrew Spindler: One result of stronger AML/CFT standards in just the United States has been the imposition of very large fines on American banks and other large banks operating in the United States if they violate our AML/CFT rules, or if they violate U.S. sanctions. Some of them have been as large as [US] $5 billion to $10 billion on a bank. Virtually every major bank you can think of has suffered fines in the billions of dollars for various things.

But noncompliance with AML/CFT, noncompliance with U.S. or international sanctions, those are key reasons why banks have suffered these fines. When these banks then look out at, say, sub-Saharan Africa or South Asia, and evaluate their correspondent banking relationships, which are the links that these countries have to dollar clearing in the United States, to the global financial system, they lose interest very fast. The financial benefit of those relationships is small compared to the risk of another gigantic fine. So, most of the large banks have very quietly pulled back from emerging market countries in their international financial dealings. And, if you're at the other end of this, if you're a bank in an emerging market country, you'll simply get a letter saying, "We're no longer offering you account services."

There won't be a reason stated. There won't be any discussion of what you need to do to restore those relationships. You've simply lost the correspondent link. And, banks in developing and emerging market countries that experience this generally don't talk about it. It's embarrassing to lose your correspondent relations, but this has happened to scores of countries, from Africa to the Caribbean to Latin America.

Patrick Fine: Does that usually happen at a country-wide basis, so all the commercial banks in that country would be affected? Or is it a firm by firm?

Andrew Spindler: It could be both. Because the judgments that the big bank, say Chase or Citi, will make will be two-tiered. They will first look at the quality of supervision in the country. So, what's the government doing? Is there a healthy, decent financial sector here that's supervised by somebody, by a central bank, by a financial intelligence unit?

And, then, they'll also look at what the capacity is in the specific bank that is their correspondent. And, if there's a failing at either level, then the respondent bank in Angola or Democratic Republic of the Congo is going to get cut off.

Patrick Fine: So, are you seeing a trend where, because of these more rigorous standards, particularly around money laundering, and because of the increasing sophistication in the global financial system in general, do you see a trend where commercial banks and other financial institutions in developing countries are losing their access to the global system?

Andrew Spindler: Absolutely.

Patrick Fine: That's a big trend.

Andrew Spindler: In fact, it's already happened and it's not getting much better. And, people in institutions like the IMF [International Monetary Fund] are well aware of this. But it's gotten almost no coverage in the media because the countries themselves don't want to discuss it.

The IMF has held roundtables. They're quietly trying to understand what's going on here, but more importantly, what to do about it. But, this has not gotten much media attention for the reasons I've stated.

Patrick Fine: So, is that resulting in a decrease in financial flows to those countries that are affected?

Andrew Spindler: To many countries, yes. They've lost a strong, reliable source of dollars. I've heard in some regional FATF meetings, the Financial Access Task Force regional meetings, I've heard governors and deputy governors of central banks from emerging market countries state that they have seen key export and import sectors in their economies simply shrink as a result of the loss of access to dollars. On the positive side, what is also happening is that there is a growing awareness in these countries of the need to build capacity.

Commercial banks in countries all over the developing world are more aware of what they need to do in terms of customer due diligence, know your customer rules, automating their systems to identify suspicious transactions, filing suspicious transaction reports with the authorities. The banks are stepping up their efforts in a way that never used to happen. And, governments are becoming much more aware of what they need to do to have rigorous rules that comply with international standards. So, out of this is coming a new push to tackle corruption in emerging market countries that I haven't seen before.

Patrick Fine: I'm curious about whether the loss of correspondent banking relationships, and the loss of access to western financial institutions and to dollars as the reserve currency, is creating an opportunity for China, or whether China is stepping in and establishing relationships with those countries that are losing access to the western financial institutions. Does that become part of the terrain of competition between the U.S., with the dollar as a reserve currency, and China, which has sent signals or indications that it would like its currency to be the reserve currency?

Andrew Spindler: Yes. It is an area for competition. But it's frankly one where, at least at the moment, we have a tremendous advantage. And, I personally hope we don't lose it. China is offering clearing services to banks around the emerging market world. But the reality is that most global trade is denominated in dollars. Probably over 50 percent of global trade is denominated in dollars. When you look at foreign exchange reserves of the world's central banks, more than 50 percent of that is denominated in dollars. When you look at debt of sub-Saharan African countries, probably 90 percent of that is denominated in dollars. The renminbi [the official currency of China] is down in the 2 percent range. So, the Chinese may want to assume a greater role. But, the way that world trade functions today is so dominated by the U.S. dollar, it gives our country and our system, frankly, a great advantage, but one that we shouldn't use in a heavy-handed way. If we do use it in a heavy-handed way, say by imposing sanctions aggressively on countries as a means of cutting them off from the global economy, then we're going to increase the search all over the world to get away from the dollar and to get away from that kind of U.S. influence. And, we will bring about our own demise if we're insensitive to the implications here.

Patrick Fine: Some people predict that as China continues to grow — and it's now the second biggest economy in the world — and some project it will be the biggest economy in the world before too long and will surpass the U.S. just in terms of its GDP [gross domestic product] — that there will emerge two reserve currencies and you'll have competing reserve currencies and that the period of the dollar hegemony will come to an end. Do you see that as a trend in the future?

Andrew Spindler: I think it could be in the long-term future. I don't see that happening anytime soon given the incredible dominance of the U.S. dollar in trade flows, in debt, in global FX [foreign exchange] reserves. The renminbi is again very, very small. It's in the 2 to 5 percent range in all of those measures at the moment. But we should be careful and we should be thinking long term.

I guess one of the things, Patrick, I'm arguing is against a heavy-handed use of financial sanctions that take advantage of the dominant role of the dollar as a way of achieving our ends around the world. It may work in the short run, but it won't work in the long run.

Patrick Fine: Right. I have to ask you about the impact of COVID on financing in frontier and emerging markets. So, we've now entered into a period of global recession. And, many people talk about this as the worst worldwide recession since the 1930s. Looking out across the next 24 months, what do you see happening in terms of financial markets in developing countries?

Andrew Spindler: Well, the picture is very clouded right now. The short answer is that I don't know, but I don't think anyone knows.

I think the outcomes are uncertain here. So far, the effect on the emerging market world across the board has been devastating. For this year, the IMF projects a decrease of more than 3 percent in the GDP growth rates of emerging market countries. This is the worst performance on record for the developing and emerging market world.

Patrick Fine: And, before this, they had been growing in the around 6 percent.

Andrew Spindler: And, even in the global financial crisis, there was still a growth rate of between 2 and 3 percent. So, this is really devastating.

Patrick Fine: During the 2008 financial crisis, its impact was somewhat muted in developing countries because they weren't as exposed financially.

Andrew Spindler: Absolutely. Yes. You're right. I totally agree with you.

Patrick Fine: So, do you think a similar phenomenon will occur where they may be able to weather this economic crisis better than the affluent countries? Or will it be just the opposite?

Andrew Spindler: No. I think it's going to be much harder for them, because many of those countries that were not so integrated 10 years ago are much more integrated now. They draw a lot of strengths from that integration, but they also are more vulnerable. That's the dialectic in this.

Patrick Fine: And, the other thing is that affluent countries have been able to pump trillions of dollars into their economies, primarily through the financial system, to keep their economies afloat to sustain consumer demand, whereas developing countries, especially if financial flows worldwide are slowing down, they don't have the same ability to do that.

Andrew Spindler: Exactly. I totally agree with you that that is the case. Think of all the factors that are working against the typical emerging market country. The government in each of these countries has tried to shut the economy down. I mean, that's one of the only things you can do.

To some degree, you've got to decrease social interaction and economic interaction. So, that's a direct hit, but on top of that, because of the decline in economic activity of the industrial world, there's a lower demand for goods coming out of the emerging market countries, commodities or anything they're exporting. Many of these countries depend on tourism. Well, that has evaporated. Many more countries depend on remittances. Remittance flows reflecting all of these factors have shrunk dramatically going into countries, whether it's a Tajikistan or a Somalia. They're all suffering from kind of a multifactor hit, compared to principally a direct hit that the United States or North America and Europe have suffered.

Patrick Fine: When we get to a post-pandemic place, let's say that that is sometime next fall, fall of 2021, where economic activity, social gatherings, things like travel, leisure travel, the demand for that picks up and it's permissible again — do you think that the countries that are being so badly affected now by the economic downturn will also have a V-shaped bounce back? Or do you see it as looking different?

Andrew Spindler: There's quite a range of performance across the emerging market world now. And, I think that will continue to be reflected in the trends a year-and-a-half from now. But, for example, China and Vietnam are doing pretty well. Countries that have gotten on top of the health crisis are faring better in the economic crisis. The countries that have not gotten on top of the health crisis, and in the emerging market world that would include Brazil, South Africa, India, that they've suffered phenomenal economic contractions.

I mean, in India in one quarter, there was nearly a 25 percent contraction of the economy. In Indonesia, in the second quarter, it was at least 5 percent. And, if you multiply that over a year, then that's 20 percent.

Patrick Fine: Right.

Andrew Spindler: So, getting on top of the health crisis is I think the number one step to addressing the economic crisis. That will play out in the recoveries.

Patrick Fine: I want to ask you about impact investing. So, we're very interested in impact investing and social enterprise as part of the engine of growth. Do you see the movement around social enterprises and the impact investment movement to provide capital to those enterprises as being significant?

Andrew Spindler: In certain regions, it's starting to become significant, and I think it's really important, specifically North Africa, across Morocco, in Algeria, in Tunisia.

There's a lot of very focused private equity investing, impact investing, in particular types of companies that can create tremendous social benefit, [like] gazelles, which are a type of startup that has the potential to create inordinately large numbers of jobs. So, they're in certain sectors where the job creation potential is even greater than for an ordinary SME (small and medium-sized enterprises). And, we've been quite involved in that type of work, setting up incubators and helping to train people in these companies. We have a whole program on impact finance in Tunisia that has just been renewed and it's been very valuable there. So, in certain regions, I think this work has taken off, and we ought to be trying to do more of it everywhere. It could have a positive impact anywhere if it gets off the runway.

Patrick Fine: Right. The trends that are going to shape the future in financing for development really are going to be shaped by the COVID pandemic.

Andrew Spindler: It's certainly playing a major role, but there are other underlying trends and the pandemic is interacting with all of them to some degree. One is the way the world has shrunk. Well, the pandemic is a powerful illustration of that. But, another trend that we haven't talked about yet that I want to mention, that I think is quite important in development as I think about the future of development — the role of growing income disparities around the world, combined with the growing awareness of those income disparities. You know, over the last 40 to 50 years, we've seen a phenomenal development across the emerging market world that has reflected globalization and has pulled hundreds of millions of people out of poverty.

Many emerging market countries have accumulated significant wealth. But, as they've done that, the disparities between the most wealthy and the largely poor remaining population have grown. In the most successful cases, middle classes have started to develop. And, I think that's really critical for success in this area. But, the income disparities are growing. Awareness of that in each of these countries is growing. And, the income disparities tend to be occurring within countries, not across countries. We see it in the

United States. It's just as visible in China, or in almost any country where FSVC is working.

Patrick Fine: Andy, I wonder if that is more impactful in a country like the U.S., where you have a middle class. You've had a history of upward mobility. And now, the evidence and I think people's lived experience shows that upward mobility has slowed down and that income inequality has grown, versus a developing country where they haven't had a middle class.

They've had an elite and they've had the population, the mass population, which is mostly poor. So, while I hear your point that inequality is growing in countries as they become wealthier, that might feel more familiar in some countries than it does in the U.S. What do you think about that?

Andrew Spindler: It's certainly different in the U.S. than in a country like, say, Angola. But, my sense of this is that as the wealth in emerging market countries and many has grown wildly, and as corruption has also grown, social dissatisfaction with it is festering just beneath the surface. And, it's more visible now because of technology, because of cell phones, televisions. People are more aware of how each other lives.

I think there is the risk of social and political turmoil, really fundamental destabilizing unrest in a lot of countries, if inclusive economic growth is not focused on and created in Africa and in the Middle East. If we don't see more job creation because of the demographics of many of these countries, the number of millions, of tens of millions, of people who may not have jobs over the next 10 to 20 years is a recipe for disaster.

Patrick Fine: Do you think that the COVID downturn could be the spark that sets off that explosion?

Andrew Spindler: Well, it's exacerbating the factors here, because job loss is very great in most emerging market countries right now. So, the gap is going to be greater. The number of people in distressed situations who have not enough income to support their families. You know, COVID-19 is absolutely worsening that situation in a lot of countries.

Patrick Fine: And, some of the pressure releases are not available right now, like migration. So, countries have clamped down on migration as a public health measure. And, so that release isn't there. You just have unemployed youth with no opportunities.

Andrew Spindler: From what I see, while many advanced countries don't want to let migrants in, you can't stop them. This is just human will to want a better life. And, if you see a better chance, a better opportunity — you'll start walking, you'll swim, you'll risk your life to try to help your family. And, I think the migration trends will continue. Part of the solution has to be capacity building in developing and emerging market countries themselves, not putting up barriers around our own more highly developed economies to try to keep these people out.

What needs to be done to try to make the quality of life better that will cause them to want to stay in their own countries? Which for every other reason they probably would prefer.

Patrick Fine: So, when you talk to policymakers in developing countries, are you hearing them share your concern with rising inequality, and are you hearing viable ideas for how to address that?

Andrew Spindler: I can't tell you that in every case in every country we are, but in some we are. And, our mode of operation is to try to identify reformers in countries that really, in a courageous and thoughtful way, are trying to lead their countries forward. And, we certainly have found individuals like that in a number of the countries where we're working, and we always have. I can think of specific individuals, whether in Russia in the 1990s or early 2000s, or Egypt after the Arab Spring.

Most of these countries have a certain number of reform-minded leaders who really are committed to trying to help make their countries more functional, with more jobs, more opportunity for their citizens. And, they would do anything to achieve that.

Patrick Fine: So, one of the trends we've seen in this country, and I think to some extent in Europe, is a move by business leaders to rearticulate the role of the private sector, or the role of commercial businesses, in their communities. And, last November, the business round table in the U.S. published sort of a manifesto that businesses needed to be concerned with stakeholders and not just shareholders. And that, because of environmental concerns, because of the social equity concerns that you've mentioned, and also because of their bottom line in order to be a sustainable and prosperous business, that they have to look beyond shareholder interest to what they term stakeholder interest, which was defined as the interest of the people and the communities where they operate. Do you see any of that thinking in the developing countries where you're working? And, what's your view? There's a pretty lively debate in the U.S. right now around stakeholder versus shareholder interests.

Andrew Spindler: It's a very good question, Patrick. In some ways, I think our own country is an extreme case. I think we've practiced what you would call shareholder capitalism in almost an extreme form over a period of decades, where companies, banks at the head of the list, but not limited to banks, have been obsessed with this quarter's profits — you know, what are we going to show this quarter? — with relatively little regard for their longer term prospects and the broader social impact.

Even the impact they have on their own markets, which are their bread and butter for the future. I don't see that same form of capitalism ingrained in the emerging market countries where we're working. But there's a lot of work to be done. And, a lot of it has to come, I think, outside of the corporate sector in these countries. One area of work that we're doing at FSVC — and I know at FHI 360 you're also working on this — is helping to develop civil society organizations that can be a check to make sure that social concerns and social development issues are incorporated in government agendas and private sector agendas. I think that's an important area of work that needs to continue. Another factor I would cite is governance. So much hinges on how banks and other private sector companies govern themselves.

We do a lot of work in strengthening corporate governance in the emerging market world, so I think that's important. Having the right agenda in government, also, that is focused on more transparency, better public financial management. All these things have to work together.

Patrick Fine: You've noted that, in many of the countries where FSVC works, that you don't see the same extreme practice of shareholder capitalism that we have here in the U.S. I wonder — as private investment increases and as you have equity and loan capital going into countries establishing new industries and investing in industries — if we're not just exporting that view of being driven by quarterly profits and having the incentives that drive management really linked to that more extreme form of shareholder capitalism and returning high yields to those equity holders.

Do you see that at all, or do you think that the cultural environments and the existing structures are strong enough to resist that?

Andrew Spindler: I think there's a risk of that. So much of the developing world looks to the U.S. model as an ideal. There is a desire to copy us. I mean, I've often been quite surprised by how deep the adulation of the U.S. economic system is. These are certain features that really shouldn't be copied. I think our private sector, and maybe all of us, could do more to promote inclusive economic growth. All too often, American companies — for example, our accounting firms — have often participated in corruption in many developing countries.

And, you don't have to go back 10 years to see that. You can look over media reports in the last 12 months to see major accounting firms involved and signing off on the fictitious financial statements of large emerging market companies. You know, in the particular economic and social mix of many emerging market countries, I think government can play an important role. But, you know, what we're really talking about here now is corruption. And, how do you combat corruption? Corruption is often embedded in the capitalist models that many emerging market countries are developing. And, that's a particular problem that's separate from this shareholder-driven model of capitalism that the U.S. has.

Patrick Fine: So, Andy, you've talked about some trends that are very worrying and that pose risks to the system and foretell big challenges ahead. We've also talked about hopeful trends that foreshadow a more prosperous world, more sophisticated systems, more control over corruption.

Taking everything into account, realizing that we're in the midst of a global pandemic, as you look to the future, say over the next five to 10 years, are you optimistic that we're on a trajectory of continued progress? Or are you in the pessimist camp that we're running out of options and that we have tough times ahead?

Andrew Spindler: Patrick, I'm optimistic. I am full of hope for the future. And, one of the reasons I am is the counterparts that we're working with and supporting in country after country, whether it's Angola, or Somalia, or Tajikistan, or Albania, or remote islands in the Pacific. There are leaders in all of these countries that are really committed to improving the quality of life for the people that live there and that rely on their leadership.

They're not the only ones there. There are other forces at play. But, as long as we can support reform-minded leaders who are trying to push their countries forward, and as long as they want our help and are looking at global standards and are trying to use those as a benchmark to strengthen their financial sectors and economies, I'm full of hope.

Patrick Fine: Andy, you are in likeminded company with the guests on *A Deeper Look* podcast, who as a group tend to be optimistic. I certainly share with you the feeling of being inspired by our counterparts. At FHI 360, we feel honored to work with terrific professionals around the world in different sectors and inspired by their service to their nations, by their contributions to science and to their countries and to the populations where they are living.

Andy, I want to thank you for this terrific conversation. And, to our listeners, I want to thank you for joining us. I want to encourage you to share this episode with others who are interested in the topic of financing for development. Post your comments and thoughts on the trends that you think are going to shape the future of development and join us next month for another episode of *A Deeper Look*. Thank you, Andy.

Andrew Spindler: Thank you, Patrick. It's been a great pleasure.

[Music]