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IMPLEMENTING THE POST-2015 DEVELOPMENT AGENDA
A CONVERSATION WITH IMF DIRECTOR CHRISTINE LAGARDE

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P R O C E E D I N G S

MR. DERVIŞ: Good mornings, everyone. And I'm so happy, feel so privileged that Managing Director Christine Lagarde of the IMF is visiting us this week before the big U.N. Summit on the Sustainable Development Goals. And it's also her second visit to Brookings in less than 12 months so we feel really privileged.

It will be a week this week quite extraordinary in many ways, and I couldn't help wanting to say just a few words about the IMF and about the Managing Director. Institutions for development are very, very important. This is now accepted by the development profession. I think the sustainable development goals in many ways are also about institutions. And I give you three examples very quickly of institutional continuity and strength which while we may not agree with exactly what the institutions do all the time, I think are important examples and somewhat have to do with the days we live.

Given that we are in the United States at Brookings, I would say the U.S. Constitution is one of those institutions which is so defining of the United States. And again, we may not agree with every one of the Constitutional Court's, Supreme Court's decisions, but the strength and existence and continuity is a fantastic example of an institution.

The other example I would say is democracy in Greece. I mean, despite all the troubles, despite 50-plus unemployment of young people, the birthplace of democracy has voted some of us think maybe too many times, but it has been peaceful. The crisis has been managed democratically in a peaceful way. And that's not so easy when you look around the world. Look at what happens when institutions fail and there's total chaos. So the fact that Greek democracy functions peacefully I think is another great example.

And then I can't help thinking of the leader who's going to visit us the next few days, the Pope. I'm not a Catholic, but when you think of the Catholic Church as an institution that renews itself, many institutions tend to be conservative because they're (inaudible) But here's an institution that can change and I think we see it changing before our eyes within continuity and led by a person who deeply

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cares about the topic we're going to talk about today. So I think that's again a third institution.

Now, the IMF in my view is one of those key institutions, international institutions, that makes the international system work. Again, there are many weaknesses, and I'm sure the Managing Director herself would like to see much more, but, frankly, if you just made the mental, as an economist, the mental experiment of saying there is no IMF, you would recreate it instantly, or try to recreate it. You couldn't recreate it instantly because such institutions don't get created overnight.

And the Managing Director Christine Lagarde has led this institutions with a flare, with a quality of leadership, with a toughness when it's needed, but with a gentle style, an inclusive style that I think we are all extremely grateful for. Really.

And the IMF is about financial stability, about macroeconomic stability, but you cannot, and I think this probably will be part of what she says, take that narrowly. Without justice, without inclusion, without sustainability, macro- economic stability is a very short-term phenomenon.

So the fact that the IMF is not just focusing narrowly as it did maybe in the long past, long years ago too narrowly, but has become an institution that really leads the international system in partnership with others I think is great and is increasingly due to Christine Lagarde

So with that, I'm going to leave it to Amar Bhattacharya and Christine, but let me say a few words about Amar. Amar has joined Brookings about eight months ago now, I think, or maybe a little more. He is a leading development economist and practitioner. He was many years at the World Bank and always at the top as an advisor on international institutional development. He then became the Director of the G-24 Secretariat where he worked for the G-24 but I think for the whole world in terms of the various mechanisms of cooperation that he was supporting.

I have to also admit that Amar is my friend I think of something like 38 years. So -- but he doesn't look it, whereas I do look it.

Anyway, Amar and Christine, it's up to you now. Thanks a lot.

(Applause)

MR. BHATTACHARYA: Thank you very much, Kemal. A warm welcome to everyone. Let me add my thanks to you, Christine, for coming here. I don't think you could have chosen a better

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day. The traffic is clear. Yes? The Pope is about to arrive. And we are about to have, I think, a really timely discussion because tonight they are going to light up the lights on the U.N. building to celebrate the Sustainable Development Goals.

And I really want to commend the Fund and you personally for the leadership you have played in getting us where we are today. You have described these three conferences that we are about to have, we are having this year, as really a once-in-a-generation moment.

So let me begin by asking you, you know, you will be going to New York for the Summit. Just how important and what is the significance of this event?

DIRECTOR LAGARDE: Well, thank you very much, Amar, and thank you, Kemal. You're way too generous and we need to deliver on your expectations. It seems as if whenever we have something important to say, we come to Brookings. And that's no random choice. So thank you all for being here today on this issue.

Thank you, Amar, for putting this in perspective because last time I was here it was shortly before the Addis Ababa Conference. And I very much regard the Addis Conference as one step in that journey which includes three steps. And that one step was, I think, fairly successful probably due in part to the fact that I wasn't able to go because I was stuck in Brussels having to deal with some Greek issues.

But I think because it addressed the financing issues, and because it was regarded by most participants as successful at the end of a relatively laborious process, the issues around the financing were, I think, addressed in a comprehensive fashion.

When I was last here, I did indicate that we would be increasing our concessional lending by 50 percent, that we would be focusing on the poor countries, and that we would extend the zero interest rate on the rapid credit facility that is extended to fragile countries and countries that suffer from catastrophe, and we did all that.

The second step is the one that is taking place this week, and that is the one which will set in stone the 17 Sustainable Development Goals with the 167 measurable targets that subset in a way the 17 goals. And, hopefully, at the end of the week they will be approved by the entire membership.

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And they're, really -- when I say set in stone, I have trepidation when I do that because while the Millennium Development Goals over the last 15 years have, indeed, delivered. And, you know, you can look at all indicators. You can look at the reduction of poverty, you can look at the improvement of schooling, you can look at better inclusion of women in particular. There have been some solid results.

Now, that has been partly the case because as we know, the emerging market economies were able to drive that effort in no little part because China was the very, very large country that moved a lot of people out of poverty.

Ones that are embedded in the 17 Sustainable Development Goals are articulate, well-considered, well-targeted, but they will be difficult to deliver upon. And they will be more difficult than the last 15 years have been because the development of those emerging economies has moved up the ladder, moved up the development ladder. And as a result, we will not have one huge country starting from a very low base that will take a very large number of people up that development goal as quickly, massively, and authoritatively, shall we say, as we have seen in the last 15 years.

So those development goals will have to be implemented, measured against their targets, and for my part, what I will say in New York is that each international institution, the IMF included, each country, all policymakers, will really have to focus on what it can and should implement with respect to those 17 development goals.

For the IMF, I think there are three areas that I would, you know, identify as the development goals, the sustainable development goals. You have the category of those that are the, that are of the economic sustainability category, You have the category of the social sustainability, and the environmental sustainability. And they should come together. So it's economic, social, and environmental in order to deliver that sustainable growth that would be job rich, inclusive, and mindful of the planet that we operate on.

And I think in those three categories, economic, social, environmental, we have either as our core activity, which can now refer to, or because we have ventured a little bit out of our core activity, I think the IMF is well positioned to provide policy guidance, technical assistance, capacity building in order to deliver on many of the targets under not all, but a number of the 17 sustainable development goals.

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So that's what I will try to demonstrate when I'm in New York. And in support of that, I'm very pleased to launch, actually now, this staff discussion note which is, we call it an SGN, which is called "From Ambition to Execution: Policies in Support of Sustainable Development Goals."

And that work which has been produced by a team that is, actually some of the members are sitting at the front row, really sort of covers existing research, goes a little bit further into what we have done, can do, will do in terms of operativity, if I may use that terrible word. So moving from the principals into the implementation.

I'll give you an example. We often talk about the issue of climate change. I will be delivering a little talk this afternoon at the French Embassy on that matter in anticipation of the third step, which is (inaudible) 21 at the end of the year.

So when we talk about climate change, we have lots of good things to say about climate change. But there are things that can be actually operated in order to make a difference. And that's an area where the IMF has developed analysis, has developed numbers, and has developed tools that can be used by countries in order to deliver on, for instance, removing subsidies.

And I'm happy to dwell on that because it's a topic that is worth a lot of money, that can actually meet the two goals of moving countries, and moving decision makers, and moving consumers and producers in the direction of less offensive energies while at the same time delivering revenue that can be used effectively for better purposes such as improving health conditions, such as spending more on education, such as reducing the labor taxes in order to encourage job creation.

I don't know how much more you want me to go on, but I'm -- I can carry on.

(Laughter)

MR. BHATTACHARYA: Yeah. Maybe we'll come back to climate.

DIRECTOR LAGARDE: Yeah.

MR. BHATTACHARYA: -- actually think that that's worth even some, maybe more elaboration as we, as we look forward. But before we do that, I mean, another point that you have made is that, you know, it's not too early to think about implementation. And, indeed, this staff discussion note,

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you know, begins to focus very much on the implementation.

Let me ask you a question in that regard. You know, these are very ambitious goals, so where do you see the main challenges with regard to implementation?

DIRECTOR LAGARDE: Two things. They are challenging. But at the same time, I think that the beauty of some of the goals, and, certainly, some of the ones where we can help because, you know, I think everybody should be concerned. Everybody should be involved. I don't want to take my institution outside its expertise and competence because others are going to also do their share.

But in the area where we have competence and can help, the beauty of it, however challenging they are, is that countries of their own determination can actually make a difference. In other words, they don't have to wait for the entire world to come to an agreement. They don't have to wait for all governments to make pledges. They can actually make a difference at home.

So that sort of country aspect is something which is quite comforting in a way because it means that even if the big players don't agree, you can decide on your own to have microeconomic stability by adopting, you know, a sound fiscal policy, by making it growth friendly but sustainable growth friendly. You can decide to use public spending in areas that are going to be conducive to inclusion of women, for instance.

And if I look at the example that I gave you earlier, when you decide to remove subsidies, you're going to effectively deliver revenue that can be reoriented towards much more sustainable policies going forward. So however challenging, it can be country specific.

The second dimension of those challenging goals is that they will nonetheless be enhanced by corrective action. And, you know, to have financial stability around the world, for instance, is going to be critical for the macroeconomic stability of a particular country.

So it's that sort of dual country and collective aspect of those policies that I find both challenging but also comforting because you can see that you can operate at your country level.

MR. BHATTACHARYA: One aspect in which I would say that the global environment is not as favorable as say it was 15 years ago and you mentioned it, is the whole growth environment.

DIRECTOR LAGARDE: Yeah.

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MR. BHATTACHARYA: And this is not just the question of short-term difficulties, but there are concerns about potential growth in both developed and developing countries.

DIRECTOR LAGARDE: Yeah.

MR. BHATTACHARAYA: And, of course, this is an area here, you know, you have been very vigorous and, indeed, at the G-20 you called on the G-20 to do more to push growth and jobs.

DIRECTOR LAGARDE: Yeah.

MR. BHATTACHARAYA: So how do you see the outlook for growth and what do you think needs to be done in order to create a good bedrock for the sustainable development goals?

DIRECTOR LAGARDE: It's a very good point, Amar. It's true that if you look at the numbers, we are certainly not at the levels where we were 15 years ago. And, if anything, there are three areas which I think, you know, demonstrate that.

One is the significant reduction of global trade. Global trade use to be almost double growth rates. It's now, you know, much, much reduced. It's pretty much on the par, if so. That's number one.

Number two, the number of unemployed people around the world, those accounted for, and we are in the range of 200 million people looking officially for jobs which is about 30 million more than what we had before the financial crisis.

And the third area which is also of concern is the issue of productivity and the lack of productivity that we see in pretty much all economies, advanced or emerging or developing countries.

So on these three factors, we are not where we were 15 years ago and we don't have the luxury of high water, to use the Warren Buffett analogy.

In the short term, I'm not going to give you the numbers because we are supposed to release them in about two weeks' time so I'll refrain from doing that. But growth is lower. In other words, we have recovery, no question, but the pace at which recovery takes place is lower than what it was, and has been lower.

What we're seeing as well is that the downside risks are greater than they were and they, you know, fall in various categories. You have the lower commodity prices which I think is going to be the

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hallmark of what we are analyzing at the moment. And the triggering factors of that, obviously, link to me second sort of downside risk which is the slowdown of Chinese growth which was predictable, predicted, but has consequences and probably more spillover effects in the region in particular than what was anticipated, and that's fairly legitimate given the size of that economy on the global basis, especially if we compare with 15 years ago, but even, you know, less so. Certainly, more so than even a few years ago.

And the third factor is going to be the financial volatility which will result from and which has already hinted, but which will result from what might, you might call the realignment of monetary policy which we are bound to see arising out of the Fed, later on the Bank of England, and which will have consequences in terms of currency evaluations and in terms of movement of capitals.

So that's pretty much where we, where we see the situation at the moment. And everything is more complicated when -- my grandmother used to say everything is better with butter. And you might say that everything is easier with growth. You can reduce debt more easily. You can have, you know, fiscal policy that is less, that imposes less on countries, and so on and so forth.

So we have to keep those objectives of sustainability, economically, socially, environmentally, in spite of the fact that growth is lower than what it used to be. And I think it puts the onus on policymakers to act at country level, at the collective level as well, but it requires their real commitment.

MR. BHATTACHARYA: On the social sustainability, as you said, one really issue of concern is persistent unemployment in many countries, particularly of youth.

DIRECTOR LAGARDE: Yeah.

MR. BHATTACHARYA: And associated with it the lack of creation of adequate employment. Another facet of the social sustainability is growing inequality in many countries. And these are (inaudible) issues that the Fund and you have really brought to the fore.

How do you see kind of, you know, actions on these issues as part of the broader sustainable development goal agenda?

DIRECTOR LAGARDE: You know, I think one of the first areas of research for us has been to try to identify what is the link between rising and excessive inequality and the sustainability of

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growth. And I think we have clearly identified that excessive inequality is actually bad for sustainable growth.

And we, you know, we muddled that analytically and clearly you have very clear results that if you increase the income and revenues of the 20 percent at the highest level of the population, it does not produce sustainable growth. Quite to the contrary.

Whereas, at the other end, if you increase the income and revenue of the 20 at the other end of the spectrum, it produces much more sustainable growth. So that's sort of a very clear finding from the work and research that we have done.

So if one wants sustainable growth, which is, you know, clearly a design for all developed and developing countries because it is going to be creating the jobs that are needed for all people but young people in particular, women as well, clearly, less inequality is going to serve that growth sustainability a lot better.

MR. BHATTACHARYA: And the policies to address it, you know, do, of course, pertain very much to the Fund given the dominance of fiscal policy. And one of those aspects that you mentioned was, of course, getting rid of bad subsidies. So --

DIRECTOR LAGARDE: Yeah.

MR. BHATTACHARYA: So --

DIRECTOR LAGARDE: I think it's the combination of getting rid of bad subsidies, number one. Getting the price of carbon right and embedding it into a taxation system that is going to be, that can very much be neutral but could be placed in the right, on the right basis, and redirect the spending so a smart tax system can actually be also conducive to less inequality and better spending on those areas that could actually help include people. More money spent on health. More money spent on education. Special job and, I mean, job-focused policies and job market improvements that will be actually conducive to more jobs.

MR. BHATTACHARYA: One other area that you've highlighted over the past year and which it's actually received a lot of, I would say, attention and, indeed, support in the Post-2015 Development Agenda is the role of women and women's empowerment.

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And this is an issue which, you know, I remember watching you on the Steven Colbert Show and you were looking very impressive. And Steven Colbert said what does the IMF have to do with women. And I thought your answer was simply Brilliant.

But now the issue has reached the level of leaders. So what would you say in terms of the focus on this issue? Why is it so important, and what do you see as the role of the Fund?

DIRECTOR LAGARDE: This is critically important. It's critically important and it's important in three areas in terms of policies, and then I'll say a few words about, you know, what difference it makes.

It's important in terms of learning, labor, and leadership. There is a huge gap in all areas, learning, labor, and leadership, and that gap has to be filled. Not just because it's a moral issue, not just because it's important for humanity, but because it makes economic sense as well.

I'm very convinced about the other two, but let's, let's assume that I'm not concerned about those. It makes eminent economic sense. And I'm pleased that the gender equality and the gender empowerment is, I think, Sustainable Goal Number 7 or 5. I can't remember. But anyway, it's in the first half. Thank goodness.

And, you know, we have done some research that actually measures the impact -- 5?

QUESTIONER: 5.

DIRECTOR LAGARDE: 5. That's what I meant. That measures the impact of additional learning for young girls, and the impact it has on their earning and on the GDP of their country. It's mind-boggling.

In the same way, if you actually modelize the impact of closing the gender gap in the labor market both in terms of positions and in terms of compensation, again, massive impact on the GDP of those countries.

And I have taken the initiative of, with great support from the institution, men and women of the IMF, to actually measure that and to try to communicate to the membership that it's in their interest to actually improve the education system for girls. To actually try to close the gender gap, or try to, and to

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make sure that leadership is encouraged because then it will produce those role models that will eventually continue to go to school, continue to go to (inaudible) universities and will consider options when it comes to their profession.

The great thing is that in addition to measuring and demonstrating that it has (inaudible) for countries which will vary, by the way. You know, if you take a country like Saudi Arabia or India, or you take at the other end a country like Sweden, for instance, the difference is going to be significant because of the gap that there is between those countries. But in all countries it makes a difference.

What we're also trying to do now is try to operationalize at the country level the analyses that we have done empirically. So in other words, from measuring, giving the potential additional output, we now say to some countries that have volunteered, and that is the case for India, for Hungary, for Germany, for a few others, this is what your market looks like, this is the gap that you have, and this is what you should do if you want to close that gap and generate yet more earnings for women who want to go to work, more GDP for your country if you want to improve that GDP, and deliver more leadership at women's level.

One more thing because I'm also a reformed lawyer. Together with World Bank experts and particularly their work, and I want to recognize the quality of the data that we worked on, thanks to the World Bank, we have studied across the membership the discrimination, the legal discrimination that exists in the legal arsenal of most of our members.

I was shocked. 90 percent, 90 percent, 9-0 of those countries under review actually have in their system pieces of legislation or pieces of their constitution that actually discriminate against women.

Now, people might say it doesn't matter. And we've gone a little bit further to see what differences it makes when those discriminations are removed. And there are country cases whereby simply removing a discrimination that is embedded in the constitution, that was the case in Peru, it was the case in Kenya, as well, and Namibia, if I recall, by removing that constitutional discrimination and establishing the principle of equality, within five years of that change, GDP grew by 5 percentage points.

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Now, people will argue, they will say it's got nothing to do with it. Well, it's a bit surprising that it's in those three particular cases that it did happen and there is clear correlation between the two.

So I think it's critically important. It can make a huge difference. And, as I said, it's not just a moral issue. It's an economic no brainer.

MR. BHATTACHARYA: And as Kemal mentioned, I mean, you know, the Fund doesn't have to do everything on its own.

DIRECTOR LAGARDE: No.

MR. BHATTACHARYA: But a partnership in this area where you can use your instruments including the Article IV as a way to identify these issues I think would be very, very powerful.

DIRECTOR LAGARDE: Yes. Yes. Article IV everybody knows what it is, more or less? Very simply, it's a quite thorough audit of the state of the economy of the country that is done on an annual basis by the IMF and which is volunteered and consented to by the membership. And it's a duty that they owe to each other within the institution. They open their books. They open their economy. They open their doors. And we can inspect and then report back to the membership and those Article IV reports are published on a regular basis.

MR. BHATTACHARYA: Yes. And the significance of it as you look at the SDGs is as you said the SDGs have to be implemented country by country, designed country by country, and the Article IV becomes a very important part of the arsenal of actually articulating and agreeing on the right policies.

DIRECTOR LAGARDE: Yes. Yes.

MR. BHATTACHARYA: So I think it's a very powerful instrument. Let me come back to where almost you began, which is the overwhelming challenge of climate and the links in some sense very much between the climate and the broader development agenda.

I think the IMF has highlighted the importance of market-based reforms in pushing environmental sustainability. You know the whole work stream on fossil fuel subsidies, the work on the lack of an effective carbon price, and more recently, the work on water. I mean, I think this is excellent work in highlighting the absence of having fundamental prices is a big distortion and you need to push on

reforms.

The IMF has also highlighted that, you know, climate is probably the biggest macroeconomic risk out there, but one that in a sense of affects actually the poor and the vulnerable the most. So against that backdrop, you know, how do you, what would your aspirations be not in terms of the formal agreement, but, you know, coming out now of the discussions leading up to COP21? I mean, what you will in some sense be discussing this afternoon in a larger sense. Not the negotiations, but in a way, how can the world come together on the issue of climate?

DIRECTOR LAGARDE: Well, let me take a country example, and then maybe we can sort of move from the country level to the collective level. When a country decides that it is spending public money inefficiently by directing that public money to subsidies for fossil fuel, and they decide that that money should be removed and reallocated to a higher cause, they have to be extremely careful that they do it in such a way that the poor people will not suffer the blunt of the decision that is made.

Now, let me explain for a second. In many countries, and I don't have the details of each and every one of them, but you can pretty much assume that 80 percent of the subsidies actually go to those who do not need it and 20 percent goes to those who actually need it.

So a lot of work has to be done on that 20 percent to make sure that the poor people who do benefit from that 20 percent actually get equivalent benefit somehow differently whether it's by way of cash transfer, whether it's by way of Smart Cards that gives them access to equivalent financial support, be it as it may, but they have to be taken care of first and foremost, and then you move to actually phasing out and eventually completely removing the fossil fuel subsidy.

So that's how it would proceed and that's how it is successful. We have conducted a study which covers about 39 cases of countries that have actually gone through the process of trying to or eliminating subsidies. And some of the, have succeeded, some of them have semi-succeeded, and some of them have failed.

Those who have succeeded have actually addressed the 20 percent first, sometimes, you know, sort of running it as a routine before they move to the transitioning out and the phasing out of the subsidies.

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I think in many ways the same principle should apply also to whatever is decided collectively so that those who would suffer most, those who are less privileged, the poorest, have to be taken care of before decisions are made that would affect them.

So I think the -- not only should we constantly have in mind that each country has a story of its own and is at a certain level of development, but within that country there are populations that need to be addressed first and foremost to make sure that they're not going to be the first victim of -- having been the first victim of climate change eventually, or risking to be, they do not become the first victim of the climate change policies that are decided.

And I think it's, you know, it's easy to decide on the sort of, okay, we've got the buckets of the low income countries, the buckets of emerging market economies, and the buckets of the advanced economies. I think it's more, much more granular than that.

MR. BHATTACHARYA: Absolutely, especially today. I mean, we are now in a world where there are only 31 low income countries which is good news.

DIRECTOR LAGARDE: Yes.

MR. BHATTACHARYA: But that world has really changed. I think another point just from my side, I think, where the IMF is playing and can play an even greater role is in reorienting public investment and particularly public infrastructure.

DIRECTOR LAGARDE: Yes.

MR. BHATTACHARYA: Which is a point you always make.

DIRECTOR LAGARDE: And so do you. So --

MR. BHATTACHARYA: Yes. Yes. So I wanted to say that the, another way to think about it is that, you know, we are going to be in a regime where prices are quite distorted, and if you want the right choices, then the good news is that the public sector still has a significant role to play in investment choices. And it can redirect that investment in a way in which it is more sustainable perhaps through, you know, as you point out in this city by building better access paths for bicycles.

So we leave it at that. I think we have taken enough time on this side of the floor. So --

DIRECTOR LAGARDE: Can I just make one point about infrastructure --

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MR. BHATTACHARYA: Yes. Yes.

DIRECTOR LAGARDE: -- because you do advocate that as well, and I think it's, it's critically important if public money is well spent. I think one of the, the work we've done recently is analyze the efficiency of public spending on infrastructure.

And again, there is a significant gap between the efficient and the inefficient public spending, and you can have at least a good 20 percent variance between the two.

The second point on infrastructure. It delivers on two fronts. One is -- on two fronts and on one of them which is on the economic one, it's a short-term as well as a medium to long-term instrument. It's a short-term instrument to stimulate growth because you get people to actually deliver on the construction work on the project. So that should be a boost for short-term growth.

It also delivers on the medium to long-term horizon because if you have better infrastructure, you're going to have better flow of commodities going through. You're going to be able to keep the harvest in a much better condition before you ship them and so on so forth.

But it's also critically important for women. Sorry to go back to women again.

MR. BHATTACHARYA: All right. Yes.

DIRECTOR LAGARDE: But if they don't have to walk for three, four, five hours to go to the marketplace, or to go and get water, or to go to their job because there is a better road, because there's a better bridge, because there is public transportation available, it's a huge difference.

MR. BHATTACHARYA: Absolutely. In fact, you know, there is two things that have come out from recent discussions, you know, and I think that's very important. One is that there is no horse race between infrastructure and social development. Indeed, good infrastructure is critical to social development.

And the other is that there is no horse race between good infrastructure and development because if you build that infrastructure well, then it will give you those efficiency gains, but it will also protect our planet. So I think those points, it's great now to see much more resonance around it. You know, your interventions and the role of the Fund have been very critical.

So let me now turn to the audience. We have, as you heard, probably the huge amount

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of ground, and it shows you as Kemal started by saying that the agenda of the Fund is, you know, appropriately quite broad-based right now. And so, you know, there's a lot of ground to cover. But they are also very, this is also very integrated because ultimately delivering on this really means delivering on a coherent set of policies and actions.

So if you could, I think there are people with microphones and I'll try and move around the room. The gentleman right here. And please keep your questions focused on the topic that we are discussing here.

MR. EDWARDS: Yes. Thank you for, again, for a nice presentation. I was here the last time. My question and comment is really focused on this word, "sustainable." And I'm very encouraged to hear that, you know, climate change is being incorporated.

But I guess my question is, and my name is Peter Edwards. I work for NOA, but I'm here in my capacity as a Caribbean national. Moving forward, will the Bank be insisting or working with the donor countries? And I know you have borrowing conditions that countries have to satisfy, et cetera.

Will you be considering including or encouraging them to include natural capital into their national accounting frameworks, and more importantly, you know, in some of the big infrastructure development projects? Again, having people think about internalizing these negative externalities associated with these projects? Carbon is one thing, but there are some other negative externalities that need to be considered.

MR. BHATTACHARYA: Could we just keep it like a conversation?

DIRECTOR LAGARDE: Yes. No, I'm happy to do that. But, you know, I'm not the Bank. I'm the IMF. So, you know, unfortunately we don't -- unfortunately. We each have to do their job. And our job is we don't lend, we don't lend for project purposes. We lend when a country is in a difficult situation, when its balance of payment is badly negative, and when it's financing is at risk, and, essentially, when it cannot refinance itself.

So that's when we intervene with funding. And we do that generally under programs which is really essentially a partnership with the country. And because we're lending the international community money for that, the country has to deliver on certain commitments that have to do with its

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fiscal position, its structural reforms, how it's going to, you know, improve its public finances because it's not in a position to borrow under normal terms.

So I understand your point about the natural capital sort of identification and accounting point, and I think that's a very valuable one just as much as externalities should be factored into prices which is certainly a point that we have, I think, demonstrated clearly in our couple of books that we recently published on getting the price right and supporting carbon taxation.

But, you know, there any many things that can be improved about the public accounting system as well as the private accounting system. And, certainly, accounting better for, you know, things that are not accounted for at the moment whether it's natural resources, whether it's cultural goods, whether it's the well-being in general which are totally, you know, which are not to be found in the calculation of GDP, for instance.

I was, when I was Finance Minister, we launched the Ben Stiglitz Commission that started reflecting on how do you measure GDP. And is GDP actually the right instrument to measure the, you know, the collective goods that we have. And I think some of the conclusions have been taken over and will, hopefully, deliver some better instruments which, in addition to GDP because I think we will continue to have GDP around, will give a better idea of what the actual state of the assets and liabilities of the planet are.

MR. BHATTACHARYA: The lady in green right here.

MS. LEE: Thank you for your sharing. I'm Jennifer Lee with Hong Kong Phoenix TV. My questions is about the upcoming President Obama and President Xi's meeting. Chinese President Xi will be visiting and meet President Obama this Friday.

I think as the two sides have mentioned, climate change will definitely be one of the parody of their discussion. And also China's economic reform due to recent concern about China's slowing economy as you just mentioned.

So my question is do you think what topics the two leaders should communicate with each other, or what message they should be delivering to affirm that the two countries can really work together to promote global growth and development? Thank you.

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DIRECTOR LAGARDE: You know, who am I to, you know, recommend or let alone prescribe what they should communicate about and what they should discuss? It belongs to them. But, you know, I would very much personally like if the path of reform and the path of changes that the two leaders have embarked upon, whether it's in the area of climate change, the two of them, you know, I'm referring to the previous arrangement that they had arrive at, or whether it's in the area of economic reform as has been indicated very clearly by President Xi, implementing such reforms, moving along, and delivering on them I think would be a clear indication of their collective intention to contribute to stability.

When you promise something and you deliver, which I'm sure is in the intention, if it can be reiterated then the better.

MR. BHATTACHARYA: I'll take more questions, but if you could at least keep it focused on the Summit and the topic. Yes, please go ahead. Thank you.

MR. DIMOGES: Thank you so much, Madam Lagarde. My name is Stanos Dimoges from (inaudible) Station of Greece. I don't want to ask you something which is irrelevant to the topic of this conversation that you had, but I think --

(Laughter)

MR. DIMOGES: -- but I think the Greek topic is very relevant to what you mentioned before about sustainability and about implementation. So what I would like to ask you is whether you are optimistic about the new government's ability to implement and to make the whole Greek case and the exiting of the (inaudible) sustainable because I'm covering the IMF report since 2010 and there are many worries whether what we are experiencing right now in Greece is sustainable and if we can have a hope by the end of the tunnel. Thank you.

DIRECTOR LAGARDE: Well, may it be sustainable and may it be focused on implementation. That's it.

MR. BHATTACHARYA: Okay. I'm going to go to the right at the back on the right side.

QUESTIONER: Ian (inaudible), Wall Street Journal. Madam Lagarde, is the global economy, we talk about growth being an essential driver for lifting people out of poverty, you talked about looking backwards. That's why we achieved some of the MGDs and the challenges going forward. But

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given the dismal state of growth in the major economies and the inclination to err on the side of protectionism, either depreciation of exchange rates or trade, to the failure of Obamanomics, political instability in Turkey or Brazil, isn't the global economy careening towards a long decade of dismal growth and the inability to meet the new, the goals to make the structural changes that you're talking about necessary to meet these goals?

DIRECTOR LAGARDE: You know, as I said earlier, the growth potential and the shortfall of that growth potential is an issue which does not facilitate the implementation of the sustainable development goals.

In other words, it would be a lot easier if the world was cruising at, you know, 5.5, 6 percent global growth than it is at the moment. And I said as well that the sustainable development goals for the next 15 years will probably more, probably -- well, first of all, are more sophisticated better targeted and probably more likely to be measured, but will be more difficult to attain because it will be incumbent on many, many countries to try to drive that exercise. And the outcome of the exercise will not be as massive as we have seen with the Millennium development goals.

In other words, when I look at, for instance, Africa and African countries, which includes the largest number of low income countries where the sustainable development goals might make a difference, it's a continent that grows at an average rate of about 4.5 percent which is still more than global growth, but it is not the 11 percent or 12 percent at which China grew for a period and which helped lift out of poverty hundreds of millions of people.

Now, will the 4.5 percent growth on average suffice to drive girls to school, to reduce subsidies, to reach macroeconomic stability that will deliver the kind of growth that will be creating the jobs needed for the young people, that is going to be a challenge. There's no doubt it.

MR. BHATTACHARYA: The lady here.

QUESTIONER: (inaudible) and you speak to Christine in the French.

DIRECTOR LAGARDE: Avec plaisir.

QUESTIONER: Bonjour, Christine.

DIRECTOR LAGARDE: Bonjour.

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QUESTIONER: (Speaking in French).

DIRECTOR LAGARDE: Which I will translate very quickly. American citizen but from the Democratic Republic of Congo. You are very concerned that actually 80 percent of the business in general is held by African women, and yet they are discriminated against. They have no access to financing, and what can be done about it, and how can we help?

You're completely right in -- well, I'm not sure about the 80 percent of the businesses held by women. I don't have the numbers and I can't, you know, attest to that. But in all African countries that I have visited, I've always tried to meet with women in leadership whether they are in business, in civil society, in any, from any walks of life, and it's true that they are extremely entrepreneurial, extremely active, extremely engaged in what they do.

All of them have said invariably that access to financing is a big issue. And that, you know, not having the loans, not having the support that financial institutions otherwise give to men, so they say, is a big, is a big hurdle for them to actually grow their business.

I think, very quickly, because I think that it's part of the changes that we will see, I think the financial institutions as we understand them traditionally are seeing a significant change occurring in front of their eyes. Some of them are embracing the change, some of them are defending against the change, but the change is coming.

And one of the faces of that change is the use of telecommunication means in order to provide financing. You're probably familiar with Kenya and the way in which Impesa has completely cut across all traditional institutions so that 80 percent of Kenya people, men and women, have access to financing, have a bank account, can transact on their bank account.

This is going to be duplicated ad infinitum, in my view, in many of those countries that are restricted because there is not many operators. The remittances system is going to change. I think that some people should be worrying quite a bit about the disruptors in that particular field, and I believe that it could be a chance for women because they are, in effect, and people will always agree on that, they are the best players. They are the best debtors you can think of because they reimburse.

Anybody who does micro finance with women, or who does miso finance with women will

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say so more than, I mean, non performing loans are minimal as opposed to general banking without differentiation.

So I think they should continue pushing, but I think technology is going to be a significant drive to bring finance to all, including women.

MR. BHATTACHARYA: And I think this is one area that you've put a lot of emphasis on, the whole financial inclusion agenda.

DIRECTOR LAGARDE: Yes.

MR. BHATTACHARYA: I'm quite conscious of the time and I know that the Managing Director has other commitments. I know from the show of hands in the room that this conversation could go on for quite some time. We've been privileged to get really an excellent overview. And just in time because, you know --

DIRECTOR LAGARDE: (off mic).

MR. BHATTACHARYA: Yes. And, you know, we really wish you and, you know, the best in New York. We hope that it will in some sense set the directions not just for the next 15 years but I would say for the next generation.

So we wish you the very best. We really thank you again for coming here and maybe have a strong vote of thanks for the --

(Applause)

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I, Carleton J. Anderson, III do hereby certify that the forgoing electronic file when originally transmitted was reduced to text at my direction; that said transcript is a true record of the proceedings therein referenced; that I am neither counsel for, related to, nor employed by any of the parties to the action in which these proceedings were taken; and, furthermore, that I am neither a relative or employee of any attorney or counsel employed by the parties hereto, nor financially or otherwise interested in the outcome of this action.

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