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P R O C E E D I N G S

MS. SOLÍS: Good afternoon, everyone. My name is Mireya Solís. I'm senior fellow and Knight chair in Japan studies at Brookings.

And it's a pleasure to welcome you this afternoon. We have a program on development lending in Asia-Pacific. And I have to say, I really appreciate to see a roomful of people when we have steamy day in the D.C. So, thank you very much for agreeing to come on such a hot day.

So, you are all aware that the development lending needs in the Asia-Pacific region are substantial, and it's not only in terms of infrastructure, but also in order to address the tasks of poverty reduction, climate resilience, and to meet the other very pressing sustainable development goals.

The Asia-Pacific region is also home to the three largest economies in the world, all of whom have played leadership roles in supporting multilateral development banks; such as the World Bank, the Asia Development Bank, and the Asia Infrastructure Investment Bank. And each donor, I should say, has distinct views on the role that development lending should play in this region.

So, the purpose of today's program is to discuss how established and emerging powers in the region are defining the role of development finance. And to that end, the panelists today will address a number of very important questions.

For example, which areas should each development bank emphasize to maximize the effectiveness of its lending? How has the institutional proliferation with the newest arrival, the AIIB, affected the division of labor among development banks, and what is the scope for collaboration? And what will be the implications for the region in the Trump administration's proposed cuts to contributions to multilateral development banks and economic assistance, do materialize? What role should Japan and China, for example, play if there is a diminished role for the United States?

So, we have an excellent group of panelists, of experts, to help us understand the many issues at stake. And let me introduce briefly in the order in which I'll ask them to come to the podium and give their brief remarks, before we all come to the stage and engage in a conversation. And then bring all of you with questions and answers.

So, first we have Victoria Kwakwa, who is vice president for the East Asia and Pacific region at the World Bank, where she oversees a portfolio of loans, grants, credits, and trust funds that covers 23 countries. Prior to this position Ms. Kwakwa was the World Bank's country director for Vietnam, and country manager for Rwanda.

Miles Kahler is distinguished professor with the School of International Service at American University, and senior fellow for Global Governance at the Council of Foreign Relations. His current research centers on the role of emerging economies in global governance, and he has recently co-edited two books; “Integrating Regions: Asian Comparative Context” and “Politics in the New Hard Times.”

Next we have Scott Morris, who is a senior fellow at the Center for Global Development and director of the U.S. Development Policy Initiative, which seeks to broaden the U.S. Government approach to development. Mr. Morris served as deputy assistant secretary for Development Finance and Debt, at the U.S. Treasury Department during the first term of the Obama administration. In that capacity he led the U.S. engagement with multilateral development banks.

Hongying Wang is associate professor of political science at the University of Waterloo. She teaches courses on China and global governance, and is the author of “Weak State, Strong Networks: The Institutional Dynamics of Foreign Direct Investment in China”; and co-editor of “Enter the Dragon: China in the International Financial System.”

And last but not least, Hiroyuki Nakashima, who is a fellow with the Rebuild Japan Initiative Foundation, a Japanese think tank, and he also serves as the senior representative in D.C. for the Japan Bank for International Cooperation.

So, without further ado, Ms. Kwakwa, if you could, please, come to the stage? Thank you.

MS. KWAKWA: Thank you very much. Good afternoon. In my brief remarks I'll speak a little bit, I'll give a context of the region, the latest issues, and then talk about what the World Bank is doing in East Asia and the Pacific, and just give some thoughts on the opportunities and challenges for development lending, and work between the growing number of multilateral development banks in the region.

Let me thank you for inviting me to be a part of this very important panel. I think all of us here know that East Asia is a very successful region. It's had spectacular development success, it's declined rate of poverty faster than any other region, going from about 50 percent to 3 percent in 2015, and that's extreme poverty, using the dollar-a-day poverty line. We also know that the income of the bottom 40 percent of the population has been growing faster than the rest of the population.

We know, however, that this is not a finished agenda, there are still tens of millions of poor people, including even in countries such as China, countries such as Vietnam, and Lao PDRT (inaudible), and P&G poverty numbers are much higher, 30 to 40 percent. And then we also note that there's increasing inequality in countries like Indonesia and Philippines in particular, and inequality levels, income and inequality levels are generally high in the region.

And even when poverty -- people have been pulled out of poverty, several hundreds of millions, still hover around the poverty line, and are vulnerable to falling back into poverty. Inequality of access to opportunity, to social services, is really a major issue, and is a key driver of income inequality which is increasing.

And we also know that the region continues to be very important for global growth. We've seen the region being a major contributor or driver of growth in the last decade or so. But the growth is also facing vulnerabilities, financial stress due to high levels of corporate and household debt, slower export growth because of slower global trade growth, and fundamental problems with productivity growth, you know, which is declining, such as it's happening in several other countries globally. China is experiencing it, Vietnam, Indonesia, Thailand, et cetera, et cetera.

So, this productivity growth is really a major challenge for countries. They are looking at new models of growth that will be more productivity-focused. A common driver of the productivity slowdown is infrastructure gaps as our colleague just mentioned, which we estimate is in the order of about $50 billion annually, not even including China.

There are human capital constraints. This region has invested a lot in human capital that has driven part of their success. But going to the next level, and generating in educational institutions, the kinds of higher level skills, that will drive productivity and drive the next wave of development, is still a focus -- is still a challenge. And one thing that a lot of people don't know, but it's that stunting levels are very high in this region just by the success that's been made. And this has implications for future growth of the population, and the ability to engage with new models of technology and the labor markets that we see out there.

Climate change a major issue, as you are all aware of it, East Asia is one of the most vulnerable regions to climate, it also houses some of the largest emitters of greenhouse gas emissions, and so work on these issues is really important; so a very successful region, still significant problems; a potential to continue to contribute to the global public good, and global agenda.

So, in this regional context what is the World Bank doing? And what are we hearing our clients tell us? And a lot of times, when I think people talk about the World Bank it's about lending, and that's what we are discussing this afternoon, but I want to highlight that in East Asia in particular, and even more broadly, our work is much, much more than lending. When we talk about China, for example, China comes to us not just for money, but because we bring a lot more to the table.

They come to us about complex issues that they feel they cannot solve on their own, to innovate and to pilot ideas to solve specific problems, which then they take off and scale on their own to get more generalized impact. When we talk about Malaysia, we are doing a lot of what we call reimbursable advisory services, where they are asking us for knowledge and expertise, new ideas about problems that they need to solve, and where it's doing similarly in Thailand.

So, the knowledge, innovation, new ideas around complex issues, is very much a part of the work that we do, evidenced in some of the flagship reports that we've done on Healthy China, Vietnam 2035, et cetera, et cetera. There is also demand for South-South knowledge, learning from each other, and China giving its own knowledge to others, other countries learning from China, et cetera.

And the fact that we have countries like Korea, which have graduated from the World Bank lending, are asking us to set up hubs with them, you know, where Korea's development experience, the shares with other countries is a signal of the sort of engagement the clients are looking to us for, and similarly in Singapore, where we have an infrastructure help.

And so very much the knowledge, innovation, new ideas, and then also a convening and coordinating role, whether its convening people within national borders to discuss issues to come to closure on policy reform agendas, whether it's helping to coordinate and convene other at the regional level around regional issues, whether it's convening and helping to address issues that the region contributes to at the global level, in all of these we are providing support to our clients.

Increasingly also in the work that is happening in ASEAN, and we are anticipating the Belt and Road Initiative that we recently saw the summit on, that the Bank will be doing a lot more on this.

And finally, financing; so I'm not saying financing is not important, but I wanted to say it's a lot more than financing, it's financing-plus, but the financing is also important. And you see some of the numbers that we have here, for several of our countries, yes, they do have major financing constraints, achieving the SDGs will take a lot of resources, meeting infrastructure gaps, et cetera, developing a new growth model, and so one.

All of these are things that require financing, and for some the financing constraints are really major, a scale up on IDA18 which is really the -- IDA is, I'm sure as several of you know is a concessional arm of the Bank where we've just completed a very successful replenishment and we are able to significantly grow our support to several of the IDA countries in the region, particularly in the Pacific, is going to be really important.

Now, so in the face of these client demands for our support, what are we doing, and our work is really around a couple of pillars; the private-sector-led growth, I've mentioned helping the countries forge new models that will take them to the next level, and help them to continue to contribute to global growth. As an inclusion agenda which, as I've described remains highly relevant, the hard-to-reach poverty, equality of opportunity and also reforms to pensions and Social Security systems in view of the aging population in the region.

On the climate agenda, both the adaptation in areas such as the Mekong Delta, and the mitigation agenda as well, doing innovative things with China with Indonesia, on forest fires, and with Vietnam on solar, renewables, the energy transition, and so on and so forth.

On governance, rising middleclass in the region, more demands for better governance, accountability of governments, and stronger and improved service delivery, including the local levels. These are all areas that we cover under the government.

So, a couple of key areas are broad pillars that we support, and we recognize very much that we can't do it alone, so for us we work very much through partnerships. Partnerships, even stronger partnership within the World Bank Group, that's the World Bank, that's the public sector arm, IFC, the private sector, Amiga, that brings in guarantees, and so on. So, working together more synergistically as the World Bank Group to leverage fully the might of the World Bank, and to bring more private financing to the table as public resources for development, finance, sort of dry out or become less and less available.

And then we are also working with other multilateral institutions, the new multilateral institutions that have been created, the NDB, the AIIB, working with them in strong partnerships that are leveraging their comparative advantage, they are leveraging our comparative advantage, to bring to our clients. Particularly have strong partnerships ongoing with the AIIB, where we've already co-financed operations with them on Indonesia and we are looking -- something coming up for the Philippines, and other operations coming up in East Asia, and even in other regions of the World Bank work.

We have a co-financing framework agreement with AIIB, that allow us to sort of take the lead in preparing the projects, and then co-finance, share the financing burden, and that is also helping really address some of the issues around our capital, and capital constraints that we have.

But it's not just the AIIB, it's EIB as well, of course the ADB that we work with regularly, we have an MOU with the New Development Bank, you know, some operations being discussed, nothing achieved yet, and with several of our bilateral partners we have trust funds that we are working on. And then just a couple of thoughts on, you know, opportunities and challenge, challenges of the new -- the growing number of multilateral development banks, you know, and I think there are some opportunities.

The opportunities, because this is very consistent with the world as we see it these days, which is really a multiple world, multiple resources of growth and politics, and political power, and influence, and having more multilateral development banks is just a reflection of it. And it brings more development financing to the table in a context when a lot more is needed. And so what's some of the traditional sources can provide.

And emerging powers have more of a chance to shape the global finance architecture, and the development agenda and how it's financed, and I think this is really important. A greater choice for the developing countries in East Asia, the Pacific, you know, you don't only have to go to the World Bank, you do have some choices which, I think is good.

There's the increased probability of being able to help countries achieve larger and more complex projects which, let's say, with the World Bank alone, we wouldn't be able to do because there are some country constraints that might be breached, country lending constraints. So, several partners coming together, make it possible to do more complex and larger operations for our countries, and there's also a more risk and burden-sharing between multiple players.

And then there's also the possibility of MDBs developing their brands and maybe distinguishing themselves a little bit more. It's still early days yet, and I think we'll see some of this happening. What are some of the challenges, you know, somebody could argue that you could see a bit of a race to the bottom, because all of us are going to be competing for the same business.

I don't see this as a strong possibility at all, because I think there's just so much to do, and there's so much need for financing that this is not, in my view, I think it's a theoretical possibility but highly unlikely. You could have and increase in requirements on the countries because AIIB has its own standards on environmental, social, procurement, we have ours, the ADB has theirs, NDB has theirs, and so on.

What happens is that several of these guidelines are really similar, but then you see that most of us have the possibility in our rules to use the procedures and the requirements of others. So, when AIIB works with us, it uses our standards, our environmental and social standards. We have similarly in our laws, or our requirements, that we can use another partner's standards, and so on.

So, it doesn’t have to really create these difficulties and additional burdens on the clients. But I think ultimately it's going to be about partnerships, and it's going to have to be about all of us, recognizing that there's a lot of work to do, still, and partnering more closely to seize the opportunity and bring much more to the countries in Asia and the Pacific. Thank you. (Applause)

MR. KAHLER: Well, I've worked on the region for some time as a Specialist in the International Political Economy. I'm going speak a little bit today more about the global level, because development lending in the Asia-Pacific is not simply a regional issue with regional implications given the scale of the perspective of development lending that is envisioned, on the part of China in particular, either through regional or multilateral institutions such as the AIIB, or bilateral initiatives such as the Belt and Road.

And given the importance of the Asia-Pacific in the world economy the future of development lending in the region will have global implications. In the eyes of the optimists, opportunities lie in the scale of potential lending, which will still not match the estimated needs of the regions, particularly for infrastructure.

More resources dedicated to infrastructure, is in the optimistic view, unqualified good. The side benefit is that China may offer new models of development lending that are more efficient, less intrusive and more compatible with the aims of those countries receiving the lending. New institutions and avenues for development lending may provide a beneficial division of labor, among institutions as well as useful competition. And Dr. Kwakwa's remarks, suggested the kind of division of labor that could emerge, and the type of useful competition as well.

But the challenges also require attention, and they lie in the outsize role that is likely to be played by China, particularly if the United States and institutions in which the United States plays essential role, lean back, and become less active at the same time that China is leaning forward.

So, challenge number one, fragmentation, in the domain of development lending, it's a long-standing feature, development lending has always had multiple actors, national aid agencies, NGOs, the regional MDBs, and the World Bank of course. They've been present for some time, sometimes they coordinate and collaborate in ways that Dr. Kwakwa suggested, and sometimes they compete in ways that are not always that helpful.

It seems to be of greater concern, it's whether the division of labor proposed by China, implicitly or explicitly is a positive one. China will play a large and growing role infrastructure lending, that is what China is interested in. But it will not play the same role in policy lending, or the many other domains that Dr. Kwakwa has pointed out in which the World Bank has played a leading role, and other MDBs as well.

There could also be fragmentation of a more destructive type because of geopolitical competition. India, in particular, has made clear its unhappiness with the Belt and Road Initiative, even though it is participating in the MDB and the AIIB, and that suggests at least further fragmentation, Asia infrastructure lending, and possible political competition as well.

Challenge number two is competition, which I've already mentioned, is potentially useful, beneficial, and is, in a Council And Formulations project last year, we had a series of discussion papers across issue areas that made clear that competition between global and regional institutions could be either beneficial or destructive.

If competition by the AIIB with other lenders becomes a competition over the norms of development lending however, with a relaxation of environment corruption and other safeguards on the part of China, then those standards are likely to be undermined as a result. And you've just heard Dr. Kwakwa suggested that that's an unlikely outcome, but I suspect other members of the panel may have a more mixed view of whether is likely to take place.

So, fragmentation competition, challenge number 3, is the response by others to China's initiative, because it seems to me much of the commentary on development lending in the last few years has been exclusively focused on the role of China, and on the existing -- and its effects on the existing regime of development lending, and that is a skewed perspective, because the response of other lenders is also important and probably equally important.

If you look at the regional level, it seems relevant competition, which I mentioned could be possibly beneficial and possibly destructive at the global level with global institutions, at the regional level it's China's possible dominant or monopoly position, that is a concern, particularly in its bilateral initiative, such as the Belt and Road.

China in this more negative or pessimistic view may aim to lock in patterns of economic dependence through infrastructure lending. Now, one way of avoiding such an outcome is for other lenders to include support for capacity building on the part of borrowers, so that they can better evaluate the cost and benefits of particular infrastructural projects, and better integrate them into their larger development goals.

This is a task for other lenders who are concerned about the possible role that China might play. But more broadly it seems to me, the other actors in the region, whether other bilateral lenders like the United States and Japan, other MDBs such as the Asia Development Bank, or global multilaterals like The World Bank, is to provide multiple outside options for the borrowers, so that lock-in is less likely.

That would mean direct engagement with China on its infrastructure plans, particularly its bilateral plans which the Trump administration signaled by sending a small delegation to the Belt and Road Forum, whether that concession to China was a good idea in the context of overall Sino-U.S.

relations is another matter that I leave aside.

But most important it means continued and strengthened support by the United States and other industrialized countries, for global and regional alternatives beginning with The World Bank. And unfortunately on U.S. side, that is the least likely outcome given the political climate in the United States.

And that leads me to my final point which is, if the United States does lean back and disengage, and become less active, which certainly seems a likely prospect at the moment, can other actors, particularly other national governments, or the European Union, Japan, including borrowing governments like India, can they pick up some of the role, some of the energy and some of the activism at the global level and in particular, that will be left by the United States.

And here once again, discussions point in two possible directions, and we can see this conversation taking place across issue areas from development landing to climate, to trade with the United States' decision to leave the TPP. And here the question is: will the United States leaning back or taking a less active role energize other actors to play a more prominent role, and a more active role, picking up the slack, if you will? Or, will they decide, that is not work their energy if the United States, such a major player, is no longer willing to play that role?

And on that very essential question, I would say the jury is still very much, out. Thank you. (Applause)

MR. MORRIS: Thank you; and good afternoon. It's really a pleasure to be on this excellent panel. I wish I could promise, having listened to Miles' excellent remarks, I wish I could promise a more combative stance toward a very similar set of our remarks. I'll try, but I think I'm, you know, certainly very similar grounds, and I think the same set of what I see as important issues for probably this topic of development finance in Asia, specifically infrastructure development finance, and then even more specifically the role of the multilateral development banks in the provision of infrastructure finance.

So, what I do want to get to, or what strikes me is two important and interesting questions: what's the U.S. going to do? And what's China going to do? But both are, as you've said, you know, these are speculative -- any answers that are speculative, I will go ahead and speculate, but let me start with a few facts, that I'm on firmer ground.

So, the Asia Development Bank, and it's important to recognize this role actually of research and agenda setting. So the Asia Development Bank has a widely cited study on infrastructure needs in the region identifying a need in the order of $1.7 trillion a year through 2030, 200 billion a year of that devoted specifically to climate change mitigation and adaptation.

That compares to current levels of spending that are less than half of that 1.7 trillion a year. To look specifically at the role of the MDBs, they are financing about 2.5 percent of current infrastructure financing in the region. When you exclude China and India, that number does rise to 10 percent, and that's quite a jump actually, outside of those two large economies.

Now, I think it's important to recognize because so much of the agenda, particularly the MDB agenda these days is consumed, at least on the rhetorical side, but I think meaningfully on financing, it's so much defined about leveraging the private sector, I think it's always important to make a simple point that it remains the case, that much of infrastructure financing is public finance.

And because of the unique qualities of much of the infrastructure, it will always be public financing. So, when you look at the numbers, and you are outside of the telecoms which are heavily privately financed, it is still the case that the major sectors of infrastructure are publicly financed. They are also in the region largely domestically financed, so they are not predominantly financed by external sources, whether donors or multilateral, and that does vary actually, there are some exceptions I think within the region, low-income countries in the region that are heavily dependent on external sources of finance.

But given all these qualities, I think it is useful to recognize despite that 2.5 percent number for the MDBs, that they do play a key role in this agenda that is belied by that particular figure, and it's both, in recognizing that they are a source of public finance at favorable rates actually, even though we call a lot of what they do market-based lending.

But even more importantly that debt financing comes, as we heard with a package of support that is money alongside of technical support, and focusing on different aspects of project development that cannot be obtained through other sources of financing. So, it is worth this kind of topic today, why the MDBs in this agenda, what role they play in the region.

So, just a few more facts, and so who are the leading MDBs in the region when it comes to infrastructure finance, so if I look at 2015, the ADB and the World Bank Group are essentially at the same levels of support. I think slightly different definitions of the region gets you to different numbers than what we saw in the tables, but they are both providing about $10 billion a year in infrastructure finance, and at The World Bank $3 billion of that is through the IFC for the private sector.

And then third, it's useful to note, because it isn't often observed in Washington, the Islamist Development Bank is actually providing $3 billion a year in support in the region. And then of course, where so much of the attention these days has been with the new actors, the New Development Bank, the AIIB, but they are new, and in terms of actual operations and financing, they are still quite small.

About $1 billion in Asia for the New Development Bank so far, and AIIB is up to, I think up to 2 billion now, but an estimate of 1.7 billion in projects in 2016, most of them co-financed with The World Bank, the ADB, the BRD.

So, with that context to get to the interesting questions: how will the U.S. act on this agenda, and how will China act? So, for the United States it's important to recognize how critical the U.S. voice and influence is within what we can call -- at CGD we call it the Legacy MDBs, but in contrast to these new players led by new actors, you have The World Bank, the ADB, and other regional banks that had been around a long time, and they all -- almost without exception have the United States as their largest shareholder, or co-larger shareholder.

And, as a result the U.S. wields a great deal of influence in those institutions, particularly when it comes to the sort of high-level questions, that we can sort of co-ambition. How big do we want these institutions to be, how active we want them to be. The U.S. does essentially play a veto kind of role on these questions, looking at it on the negative side.

And then in terms of expressing ambition, if the U.S. decides to move, I think things tend to move pretty quickly for these institutions. So that's a critical point to recognize as we consider the question of: should The World Bank have a capital increase from its shareholders? Should the ADB have a capital increase from its shareholders?

It is important to recognize these days that alongside that question, which is sort of a tradition question, as long as we've had these institutions and their initial capitalization, every so many --

well, essentially every decade you face this question of, should the shareholders kick in more money on the capital side, but increasingly in recent years, you've also had this agenda, that the G20 wants to call, or does call balance sheet optimization, which is a range of measures that the banks can take short of asking for more capital, that has the effect of enabling them to lend more.

And they've actually, the institutions have actually been quite active on this agenda. And I think with the ADB really at the forefront in taking a pretty aggressive and bold move in some balance sheet measures a few years ago, that, you know, by the measure of impact, without describing any detail what they actually did, we can note that the measures have allowed them to go from -- with this, about $14 billion a year in lending in 2014, up to eventually they'll be able to do $20 billion a year by 2020, that's with essentially existing capital in the institution, and no additional money from the shareholders.

But it is also the case that demand for infrastructure finance continues to outpace the ability of the banks to meet that demand, and they are -- particularly the legacy MDBs are facing capital constraints these days, which is not preordained, and I think it's useful to think back prior to the global financial crisis that, in fact, there was much of a discussion in Washington about: what do we do in the face of declining demand for lending from these institutions.

I don't think that's the picture at all today. I think whether it was the financial crisis itself, or some other factors that has created a structural shift in how they -- and the borrowing countries view the institutions, and they are demanding more from them.

So what's the Trump administration going to do in the face of this? Well, we don't have much in the way of rhetoric that we can hang our hats on; we do have a budget request now. And if we look at the cuts that the MDBs face in this budget it's useful to ask: compared to what? Because certainly a cut on the order of about 20 percent if you set aside the Green Climate Fund, the things that are strictly climate-financed institutions; funding for the core MDBs is cut by about 20 percent.

I tend to think that's disastrous in some respects, on the other hand, if you compare that to how the rest of the foreign assistance budget fairs with cuts on the order of 30 percent, all the way up to 100 percent in programs that would have otherwise been viewed as sacrosanct in the United States, somehow in relative terms, the MDBs are doing pretty well, if you are trying to think about the signals that this administration is sending.

Add to that, and this is my attempt to present an optimistic view about where the U.S. is going, if you add to that, what we know about the White House's interest, and a New Women's Entrepreneur Initiative that they are working through the G20 process and which The World Bank is playing a leading role on in hosting their facility. That engagement, in particular, and then reports of engagements around how The World Bank, in fact, can provide the U.S. with some technical expertise and infrastructure finance; these are signs of some kind of relationship developing that one can imagine could lead to a firmer embrace of the institutions on the part of even this administration.

That said, I think there's also very good reasons to expect, frankly, a more negative stance. Again, it is a 20 percent cut at the end of the day, and even more fundamentally, the fact is much of this agenda, you know, we are talking about the capital of the banks, their lending for infrastructure where it is needed. The reality is that is an agenda that is defined largely by middle-income countries, and less so by the low-income countries in terms of volume of finance.

That has always been a hard sell politically in the United States, both explaining and even making the case for continued levels, high levels of borrowing from countries like China, from The World Bank, from the ADB, has not been an easy case to make, and particularly in the absence of any kind of strategic framework from an administration in Washington.

So, if there is not a clearly-defined set of goals and objectives in a region like Asia, where you can see a role for the MDBs, then these are very uncomfortable questions. Why would we want to support this kind of lending to countries that otherwise themselves have deep capital markets, have ready access to other sources of financing?

And, you know, I will speak from the experience with the Obama administration, this was a hard question then too. So, at the end of the day, if we speculate that the U.S. will not be ambitious when it comes to these Legacy MDBs, it is my view that growth will happen elsewhere in the MDB system and that will be led by non-U.S. actors, namely China, the question of how China will act. Let me just briefly make a few quick comments, I think I'm using up most of my time already.

So, the question for China and the MDBs, it's not a question of ambition, we know that they have ambition, it is question of relative allocation between bilateral mechanisms and the new multilateral mechanisms, and then the policies and procedures that define, frankly both. The new multilaterals, but even, to some degree, how the bilateral actors, namely, the China Development Bank, and China EXIM might be influenced by new thinking.

And let me just jump to one, I think, leading example of what I mean, by important policies which is questions around sustainable financing, debt sustainability. China is not a member of the Paris Club, they call those sovereigns. They get together and address problems of debt sustainability when they happen, and the broad set of norms that define, particularly how the MDBs act around questions of debt sustainability remain to be tested, I think, for the new institutions.

So, I think it's a very important question going forward, exactly how the Chinese Government wants to position itself on a question like debt sustainability, the degree to which certainly, in volumes of financing, the question is more on the side of the bilateral lenders, China Development Bank, and EXIM. But it is perhaps the case that going forward a firmer embrace by the new multilaterals actors for a set of norms acting alongside peer institutions, The World Bank, IMF, regional development banks, might ultimately inform a more favorable stance when it comes to sustainable lending practices, transparency around lending.

Why is this in particular important? I think, here let me just very quickly preview what will be some new research coming out of CGD, working along with John Hurley, who is here in the audience as well. What are the debt implications of the Belt and Road Initiative? To what degree can these countries sustainably borrow for the kind of financing that is envisioned?

Our very rough take, this is the early work, we will be refining, but if you look at countries that we can likely define as Belt Road prospect countries, just nine of those are at low risk of debt problems. By our estimates, 7 are at medium risk, and 12 are at high risk of debt sustainability problems.

It strikes me that going heavily into this area, means inevitably that although the Chinese both bilaterally and multilaterally will be confronting the question of debt problems in their investment agenda, and I think will be critical, and this is just one example of an area where we will want to see them come around to a set of norms or practices that are servicing us, perhaps not perfectly, but pretty as in the international community. Thanks. (Applause)

MS. WANG: I'm trying to find my presentation. Okay. So, the previous speakers have already covered a lot of the grounds, and so I'm going to be maybe skipping some of my prepared remarks. So, I'm just going to talk about a few things, so I want to start with a brief discussion of China's approach to development finance. And as we've all heard quite a bit, the case of One Belt, One Road, I think illustrates some of those features very well.

And secondly, I want to briefly touch on China-led multilateral -- MDBs in the region, the AIIB, the NDB, which is only partially in the region, and then focus just on a short discussion of their relationship with the more traditional or Legacy MDBs. And then finally, the potential challenges for China's Development Finance and of China's Development Finance.

So, China's approach, Development Finance, the two very basic principles that have been established for decades, one is mutual benefits so, unlike the OECD countries, the more traditional definition which sees development finance and foreign aid in particular is a one-way transfer of wealth and expertise and so on from China's point of view, development finance between Chinese and other southern countries is really about mutual benefits.

So, China's Development Finance does not only include grants, interest-free loans, and concessional loans, but also export credit, non-concessional loans, many of which are resource-backed loans, and many of these arrangements actually aim to support China's going out strategy, and the Chinese are not apologetic about that, that's just by definition, mutually beneficial.

And the second principle is no strings attached, and this approach from Xi Jinping in the latest Summit on the One Belt, One Road emphasizes that point again. So these features make China's Development Finance very attractive to many, but it also potentially could cause conflict with the more traditional norms and practices of development finance.

So, let me say a word about One Belt, One Road. Everyone here probably has heard more than they want to about that every day, and in the news. So it was proposed by Xi Jinping in 2013, and ultimately the goal is to have 65 countries involved, that will be countries host (inaudible) projects, and here you can see how expansive this very ambitious plan looks like on the map.

So, obviously in this case, lots of money are involved, just a few of the larger sums, we have all read about, so the Silk Road Fund of $40 billion when it was established a few years ago, and then actually over the years 2015, for example, the Government of China allocated more funds to various banks, 82 billion in 2015, and then just 2017, recently, last month, another $113 billion promised through, you know, a few windows here.

And then some of the AIIB and NDB money has also gone to One Belt, One Road Project. So, AIIB, NDB do not completely fall under One Belt, One Road, but there's quite a bit of overlap. AIIB was established in 2015, and this is the list of the projects that they approved, or who have already started in 2016, so for that year it was about $1.7 billion, and Scott offered more up-to-date statistics, so it has grown since then, now that 2017 is half gone.

NDB also, a very recent establishment and in 2016 they came to about $1.5 billion in projects, and mostly the vast majority in renewable energy, only one in transportation for India. So, speaking of the relationship of these new banks with the more traditional banks, I think it's clear. We've heard already previous speaker mentioning, so I won't get into any of these details.

There is a gap, and of course traditional MDBs for a while kind of lost interest in infrastructure type of projects, for various reasons, and they are now coming back to it, but they also have many other priorities. So, again, as Scott said before, the multilateral development banks, together, only contribute, in terms of dollar amounts a very small portion of infrastructure, so there is room for the new MGs to come in to complement the legacy banks.

And already there is now a pretty well-recognized consensus that infrastructure is critical, and the importance of public-private partnerships in terms of funding infrastructure is also widely agreed upon, and so you’ve seen various initiatives, The World Bank playing a very important role in this kind of network of funders for infrastructure worldwide.

And as we heard before, The World Bank and ADB both have signed separately with AIIB and NDB various agreements, and specifically they have co-financed projects, AIIB the vast majority of their projects in the first year, where co-financed NDB is talking about the possibility of doing so.

So, let me just end by pointing out some of the potential challenges. One Challenge is the issue of environmental and social sustainability, you know, as I said before China's is that, no strings attached to development finance. And now that China is, because of its economic strength, and so on, it faces very limited external pressure. And so it's not surprising that many of the mega infrastructures, One Belt, One Road, or specifically in Asia, or elsewhere in the world involving China, especially the bilaterally financed ones tend to go through very quickly without really evaluating the environmental impact.

And then lack of transparency, and of course in that process respect of rights in countries, community is affected, it's sometimes not well taken care of. And the other issue is financial sustainability. China's old infrastructure investment has been kind of described as a feature of China's success. But a recent study by a group of Oxford scholars shows that actually much of China's own infrastructure investment has involved a lot of waste, so it wasn't as successful as one might think just by looking at the final product.

And so are such things going to be repeated when China goes abroad to build the structure, I wouldn't be surprised if it does. And so one example is the $1.2 billion seaport project in Sri Lanka, which didn't really turn out to be as profitable, and so by necessity, the Chinese took over, and that generated a lot of local protests on the issues of, you know, foreign control of their national interest, and so on.

So those are challenges, I think, moving forward, China, as it thinks about its own development finance, and others watching China both bilaterally, and multilaterally providing development finance we should keep in mind. And we already have seen a little bit of perhaps decline in the One Belt, One Road projects. Thank you very much. (Applause)

MR. NAKASHIMA: First of all let me thank you (inaudible), to invite me to such a very important event. I'm the last person to make a presentation, so maybe all the most very important topics are already covered, I think. So, I want to stress on the Japan portions, the Japan views on development lending in the Asia-Pacific regions.

So, all right. This chart here raise the official financial flows to developing countries from Japan, and there's approximately $15 billion, that of ODA at which 5 billion is a bilateral grants, and 7 billion is bilateral loans, and 3 billion is a contribution to MDBs.

And in addition to ODA, Japan, like China, you know, also provides 5 billion of the OOF, other official flows, including export credit, or the other financing, which was mainly provided by the Japan Bank for International Cooperation.

And this sheet, analyzes the priority areas of Japan's ODA and OOF, and Japan has set out the following priority issue for ODA, the first one is the quality growth and poverty reduction, the world population in poverty is still in large number, and reducing poverty especially reducing absolute poverty is the most fundamental development challenge. At the same time, in order to solve the (inaudible) issued, it is essential to achieve economic growth through human resources development, and infrastructure development and the growth of private sector.

The next point is the building of a sustainable and resilient international community. This includes the transboundary challenges such as the climate change, major natural disasters and food issues, and energy issues. These global challenges cannot be dealt by a single country, but require a united efforts by the international community.

And OOF, I supposed more like the Japanese companies' business overseas, and the loans provided on cozy commercial conditions. The main areas of compressions in OOF are infrastructure in Asia, natural resources, and Japanese foreign direct investments.

And I mentioned in the previous slide, Japan also provides the ODA through MDBs, Japan is one of the largest shareholders for ADB, and the second-largest shareholder for the World Bank Group. Bilateral ODA and multilateral support through MDBs for Japan is a complementary relationship. And MDB, you know, as you might know, have a very wide range of networks and experts in the specific regions or sections -- sectors, and Japan has been contributing to the activity of the MDBs not only as a major shareholder, but also providing knowledge, assistance in the affairs of the environment, resilience, health care and human resources, all these regions.

And the next slide: so far an overview of Japan's official financial support, in the previous slides. So from this page on, I want to explain Quality Infrastructure which is the most recent, most important areas that Japan is focusing on, in the field of development finance.

Quality Infrastructure was proposed by Prime Minister Abe in 2015, and he committed to increase supply of financial resources for Japan, Quality Infrastructure Project at his word, at the G7 summit in Ise-Shima last year. He mentions the amount is approximately $200 billion for the next five years, which means 40 billion per year on average.

So, why Japan is focusing on infrastructure? This bar chart by McKinsey, and shows the expected of the infrastructure investment in his word. This report shows the $3.3 trillion of infrastructure project that's needed per year. On the right-hand side chart shows 60 percent of the expected investment will be located in the emerging countries.

And next, this, when you look at the Asian regions, according to the ADB Report, over $26 trillion of infrastructure are needed by 2030 in Asia, and that means he has already quoted, I think, $1.7 trillion of infrastructure projects are needed per year.

So, how to secure these financing needs? Government support, MDBs, bilateral financial institutions are expected to play an important role, but I also want to stress, is the importance of the private financial institutions for the financing of these infrastructure investments. And this slide shows the investment flows in the ASEAN region. You can see that they are over 17 billion investment from Japan, is the purple line, in 2015, and it is twice as large as investment from China is the brown line.

This is because Japanese companies established the manufacturing supply chains in ASEAN countries, and stable infrastructure, such as the power supply, and the transportation are indispensible for the manufacturing supply chains. The significance of the infrastructure for manufacturing supply chains, does not only to ASEAN region, but also all the countries where key manufacturing supplies are located.

And in this slide I summarize a key factor to the concert for the infrastructure investment. The first one is the project lifecycle cost, and resilience and safety, employment, and social and environment impact, has impact on receiving the countries debt sustainability. Maybe some of the points had already referred by -- (inaudible) already.

I have worked in the international banking sector for over 30 years, and have many experiences of the finance into an infrastructure project. In my experience, I have learned that infrastructure project takes many years for construction. And the completion of the project is not goal -- it's not the end; rather it's a starting point. Infrastructure is used for many years, which requires stable and safe operations, and maintenance.

And the huge amount of investment cost could bring debt to a government or public entities of the recipient country. So, the balance of the debt and its revenue is very important for both investing country and recipient country. The second one is the openness of the project. As the infrastructure should be open to everybody, and it's including -- its procurement, is also should be opened. Infrastructure project cannot be completed by the public entities only, and the private sector's involvement in the project, and financing is inevitable.

And the last thing I want to stress, as the Quality Infrastructure is one of the key for the Sustainable Development Goals by improving the resilience of the country, and also enhances the people standard of life.

I am often asked: okay, so we understand the Japan's Quality Infrastructure policy, but does it conflict with the Chinese Belt and Road Initiative? In this regard, I don't think it is a conflicting concept, and I want to introduce the Prime Minister Abe's statement last week. I think there's a key message by Mr. Abe is, you come into harmony with free and fair Trans-Pacific Economic Zone, contribute to the peace and prosperity of the region of the world.

And this message means, Japan is basically welcoming the Belt and Road Initiative, but we carefully watch whether this concept contributes to the free and fair and peaceful region. In other words: whether it is going to be a challenge to the regional, international order or not.

And lastly, I want to comment on Japan's views on AIIB. As I had explained there's a huge amount of the infrastructure needs in the region, and in that sense AIIB is not in competition with The World Bank or ADB I think, it is rather complementary to the existing MDBs. AIIB is still a newcomer, and so their normal staff and the amount of know-how are limited, and its operations mainly co-financing this year, existing MDBs.

Having said that, out of huge amount of infrastructure project, not all projects are bankable, when AIIB starts its project formation in the future, it could become a computer among those bankable projects. So, regarding Japan's membership in AIIB, although I'm not in a position to state Japan's official views, but it is fair to say that one of the key factors that will be Mr. Abe's perspective in the last slide; also, AIIB is governance structure, such as the absence of the Resident Board of Directors, or something like that. Okay. Thank you very much. (Applause)

MS. SOLÍS: Thank you very much. So, everybody gets mic-ed up, I'm going to start because time is running out and I'm sure that there are a lot of questions from the audience. We've had a terrific set of presentations, we have a very rich agenda to discuss, and mostly I want to get the panelists to interact with one another, because I think that there were subtle differences on some important issues.

And let me bring up one. The possibility that when you have several multilateral development banks operating in the region, that come with different philosophies, donor approaches to economic assistance to foreign aid, that there could be potentially a race to the bottom.

And Victoria mentioned that the prospects are very low, that this is mostly a theoretical possibility, I think that Miles, for example, or Hongying, perhaps thought that this possibility could have larger prospects, especially Hongying talked about China's mixed record when it comes to environmental sustainability.

And I found Victoria's slide very useful because you had as an example coal and, you know, it's interesting because people talk about the AIIB track record so far, there have been some energy projects, but some people mentioned that there are very few renewable energy targets in those initial projects, and the question has always been whether China would finance coal power plants.

We know that Japan, for example, has always financed coal-fired plants, and does not believe it's a race to the bottom, because Japan argues it has technology that makes these plants very efficient. And now of course we know that in the United States the future of coal has a different connotation.

So, I wonder if you guys could discuss whether you think that could there indeed be a race to the bottom, also because perhaps the global standard is moving because of domestic political developments within each country. How do we make sure that when we have more offerings out there, the race is to the top, and not to the bottom? Anybody, any comments? Miles?

MR. KAHLER: The race to the bottom can mean at least two different things. One is that everyone's standards go down. The other is, if you look at the global development lending, the amount of global development lending the standards overall will go down because there is a large lender that has different standards and their lending is growing very rapidly.

The World Bank, it still maintains its high standards, so it wouldn't be a race to the bottom, but China would be lending more and more with a different set of standards, and it seems to me that's probably what most people were talking when they were talking the race to the bottom. It's not that The World Bank would, in response to the Chinese competition, lower its standards, it's that China's lending would not meet international standards, particularly its bilateral lending.

And I think that's the real question. And Mr. Nakashima, you just suggested, like now, many of the Chinese lending agencies are small-scale, they are co-financing, but once they start to build their own projects and bankable projects are limited, there may be an incentive for them to lower their standards simply for reason of lending more quickly.

MS. SOLÍS: Thank you, Miles. Other comments?

MS. KWAKWA: Well, just to add to what's been said already, I think it also depends on the point I think you made, Scott, but it also -- it's a bilateral and a multilateral split that China brings to the table. And if it chooses to a lot of its step up through multilaterals, or through the AIIB, for example, or through, you know, more cooperation with institutions like The World Bank on the Belt and Road, and then maybe that possibility of lower standards on Chinese investments is limited, is more limited than would ordinarily be, because AIIB standards are just like The World Bank's or the ADB's.

You know, so, whether it comes AIIB, the social environmental safeguards are similar to how we would treat them. And even in the Belt and Road, you know, the Government of China is looking for institutions like that -- it's approached all the MDBs, and signed an MOU with the MDBs to collaborate on the Belt and Road. So, if the MDBs are going to be part of the Belt and Road, then again, that's another factor that would mitigate the risk of lowering standards of the Chinese step up. So, just a couple of additional points.

MR. MORRIS: I'll make one point on these two examples. I think, certainly as a summary matter, it's not so easy to define sort of a linear path of standards, whereas both standards are high standards, so two examples, so let's look at the AIIB, a lot of attention on the fact that as a Nonresident Board of Directors, that it's a departure from most of the legacy MDBs, some would characterize it as a weakening of oversight.

On the other hand, this Nonresident Board has also now recruited two external members of its Audit Committee who were picked for their expertise on audit functions, something that doesn't exist in the Legacy MDBs.

The other example I would point to is, to the degree that we do set The World Bank as the gold standard, the high standard, I think that always holds. Again, you know, these things aren't so clearly defined. So, The World Bank in recent years concluded that both the reform to its procurement systems and to its social environmental safeguards. If you are looking at those from the perspective, say, of the Asian Development Bank, your view may be that they've weakened their standards.

The World Bank's view is now we are innovating, we are trying to be more effective. The judgment there, it doesn't hold consistently, you have different views on these things, and really, you know, I think what's important is that you do have, particularly with new institutions the possibility for innovations, as long as there is a commitment to underline.

MR. NAKASHIMA: A small point. The AIIB is already established, and its standards of operation, so it's an existing institution, and the Chinese map is -- it's not a hypothetical, it really exists; and how to influence the international standard to the Chinese standards? I think the inclusiveness of China is very important, and that it may be inclusive an inclusive dialogue with The World Bank, or the other MDBs, with the AIIB, and also maybe the U.S. or Japan, or European countries, inclusiveness in the region is also very important.

MS. WANG: I agree with the division between multilateral versus bilateral, and I think even with the multilateral context the Chinese policymakers have said over and over again, there is no best practice, there's perhaps better practice to strive for. But I have no doubt that with the AIIB, NDB, China will follow most of these practices, and they don't really need to break those rules, because we compare the scale of lending, 1.7, 1.5.

And here I have the three biggest state-owned banks provided a total of $225 billion in credit by the end of 2016, for the overall projects, so we are really not talking very much lending for China to do it well, and according to every standard there is in the multilateral setting, and do other things differently.

I think for the international community one productive thing to do is to encourage China to spend more of its resources in the multilateral setting, and kind of relatively speaking reduce the bilateral action they can take with greater freedom, without being launched.

MS. SOLÍS: And is there a way to persuade China to do that? Or what will be a strategy to try to persuade China to invest more multilaterally?

MS. WANG: I think China is very interested in being welcomed and recognized, and I think really it doesn't cost too much. It's really a lot of moral or just recognition that you are doing well with AIIB, continue to do so, and maybe add to the magnitude of such, then maybe that will, relatively speaking, reduce the other type of lending.

MS. SOLÍS: Great. So, you don't have comments on this. I'll bring in the audience. So, questions from the audience. If there's no microphone, then you can raise your hand, wait for the microphone, identify yourself, and ask short, concise question. We have a lady here, where is the mic?

SPEAKER: Thank you. I'm Fay Yu from the Asian Development Bank. It's a very informative panel, and I really appreciate that several speakers mentioned the importance of leveraging private sector, this seems to be the direction to go. For ADB we, the current private sector operations accounts for about 15 percent of the total lending, and that we have a goal of about 20 percent in 2020, and for 2030 it's going to be even bigger.

So, my question is, there is a tradeoff between -- there's a tradeoff that's introduced when you have more private sector capital in your lending because there's your cost of financing is tied to your credit rating which is affected by how much exposure you have in the private sector. So, for the MDBs are we all trying to become some form of IFCs, or do we have a limit? And we still primarily focus on sovereign lending, versus having a small supplement of private sector lending? Or do you see it the other way around? I'd like to hear from the speakers.

MS. SOLÍS: Thank you, a very interesting question. Who would like to take it?

MS. KWAKWA: Look, I think as Scott said in his remarks, if you look globally, if you look at the OECD countries which are the most advanced countries, infrastructure is largely public, you know, even in those countries, and that's a reality. And I think for us as The World Bank, our sense is that, look, recognizing that the public sector is still going to be a key driver of infrastructure provision, it's also the case that there are instances where we are putting public money for infrastructure where it does not belong, or where the private sector could do it, and do it better, or commercial resources could come in.

And that's what we are trying to really deliberately target and do better on, so it doesn’t necessarily mean that everything, or the majority of it is going to be private. But we are trying to say, let's step up and take the opportunities for more commercial and private money that we haven't done in the past, recognizing that the public sector still remains very important on infrastructure provision.

MR. MORRIS: And I would say, and I think as an important question, and there's an interesting dynamic here, in that if you look at the IFC within the World Bank Group, it is remarkably large today, and that is not because the shareholders decided to favor it with more capital over time, it's because it's been a profitable institution, has been able to retain its earnings, and grown its capital base that way.

That may be fine, and it may align with a desire to do more in the name a private sector development, but it's not so clear to me, that that's sort of the resolve or deliberate strategy, and I think there are some risks to this, you know, at the top of my list is that crises tend to be sort of defining events, and in the face of whether there was a global financial crisis or various regional crises, you want the public lending function of these institutions to be robust.

The private function is going to be more problematic in that kind of setting, and actually can be as we saw during the global crisis, even countercyclical in some instances. So, it is not something that should be happening sort of passively, and I fear a little bit that that's some of what we are seeing.

MS. SOLÍS: Thank you. You have a question, so the microphone to the other side, please?

SPEAKER: I'm Barbara Sterling from Berlin University. I wanted to make two points, I don't pretend they are questions but they can have reactions to them. The first involves sort of underlining or resurrecting a point that Mireya has tried to make twice, and nobody has bitten on it, and that has to do with different philosophies of development finance in different parts of the world, specifically Western lenders and Asian lenders.

Let's say for the point of argument that both want to reduce poverty as a main goal, but my view is that they go about it in quite different ways. Nowadays, and I underline nowadays, because it wasn’t always the case, Western donors want to attack poverty directly, lend to the poorest countries and engage in small projects that will help immediate reduction of poverty.

The Asian countries, based on their own experience have a very different way of looking at things. Their idea is to reduce poverty indirectly by promoting growth, and their own experience says that the way you promote growth is through infrastructure, that's what they lend money for; the first point.

The second has to do with an interesting idea about competition among Asian donors themselves. Many people saw Prime Minister Abe's offer of $200 billion over the next five years, as competition with the AIIB. That said or not, the more interesting piece actually is the Quality Infrastructure, and whether this is the way of Japan which has much more expensive projects competing with cheaper projects in, not just China, but also Korea. So that the Chinese and the Koreans build much faster and cheaper, and Japan can't compete that way, but it's trying to compete by quality, this I think is -- if it's an interesting way, I'm not sure sort of how far that will go, but I'll be interested in your reaction.

MS. SOLÍS: Thank you. So, reactions on different philosophies, and Japan's Quality Infrastructure concept? Nakashima?

MR. NAKASHIMA: May I go for the second point. Yes. You are so right, the Japanese technology is kind of the very expensive compared with the Chinese one, and maybe the South Korean one, but I think I have highlighted the lifecycle cost. So, infrastructure it can be used for the longer use, 20 years or 30 years, and you know, it is not always the cheaper infrastructure is going to be cheaper in the 20 years, or 30 years' time. In Japan I think that one of the advantages is maintenance cost in the total of the 20 or 30 years, and also including the construction cost. Total cost could be cheaper for the Japanese technology; that is the key point for the Quality Infrastructure.

MS. SOLÍS: If I can add as a question to that. You know, Japan put forward the Quality Infrastructure project, and as (inaudible) was saying, many saw it as a counter to China's initiatives. So, I would like to ask a question and, what explains the different tone of last week from the Prime Minister's statement, you know, signaling cooperation? Of course, still raising issues, you know, transparency procurement, debt sustainability, something that Scott also referred to in his remarks.

What explains the timing? And not just in terms of the economics of it, but the geo-politics of it, and how perhaps a new U.S. administration is affecting Japan's thinking about how it operates in the field of development banking.

MR. NAKASHIMA: Yes. Mireya, I think you have already -- referred to a very important point. Yes. Last week Prime Minister Abe's comment was a little bit different from the former -- his comments. I agree with that. And I think it is inevitable that Japan cannot, you know, ignore China's Belt and Road Initiative. Basically, you know, the Asian region's infrastructure is key for the -- not only for China but also Japan as well.

So, why not we cooperate, especially in the time that the U.S. is not necessarily very enthusiastic for the support of the multilateral issues? So, in the sense of the United States, maybe Prime Minister Abe wants Japan -- after all should play more a leading role in that context.

So, I think last week's Prime Minister Abe's comment was -- I think it's very good to, you know, comment for, not only for China but also maybe the United States towards a more collaborative -- collaboration with China's Initiative, and also introducing the Western style of the openness and fair competition style in the Infrastructure Project.

MS. SOLÍS: Any other reactions from the pane? No? If not I'll take a question from this gentleman. I'll take two questions, because we only have -- if you can make it super short, so I'll take the three; the first here, and then these two gentlemen, but very, very concise.

SPEAKER: I was wondering if you think there's anything in the next five years which is sort of completely disruptive and which, you know, could impact how infrastructure tax or other things, may be digital, or something like that, because you know, you talked a lot about norms, but it wasn't clear to me if you were looking at some of the positive sides of what could come together?

MS. SOLÍS: Okay. Thank you. And these two gentlemen, the mic is coming. So if you can be concise. Thank you.

SPEAKER: My name is Kuba Yashin . I'm from JICA Japan International Cooperation Agency, responsible for ODA implementation. And my question goes to Dr. Kwakwa. In your slide you showed that climate change was one of the pillars for the Asian region. And Dr. Morris mentioned about the influence that the U.S. has on The World Bank and multilateral banks, and I was wondering if recent moves by the Trump administration, pulling out of the Paris Agreement would influence in any way your focus on climate change in the region. Thank you.

MS. SOLÍS: Thank you. And then gentleman there, yeah.

SPEAKER: Yeah. Tony Lao with the (Inaudible) Group. I have a comment and a question.

MS. SOLÍS: The comment, very brief if you don't mind, yes?

SPEAKER: Yes. Very, very brief. Basically I think one of the reasons why China can be a lot more flexible in the financing, because most of the money end up going to the state-owned enterprises that do the construction, whether it is railroad, highway, you know, it is easy, it's one money -- you know, money from one pocket go into the other pocket. So they are much more aggressive that way.

At the same time, this is my question or my second comment, is that a lot of emerging countries are limited by the non-concessional, the ceiling set by IDA. And with those ceiling, limit the ability for them to finance the projects through ECA, Export Credit Agency, such as Import-Export Bank, whereas as in the case of China, the Chinese Development Bank, they don't observe that ceiling and therefore they keep on lending. So, therefore they have a significant advantage to the ECA financing. Therefore my question is from the MDB's perspective, do you think that -- do you agree that this non-concessional loan ceiling is a barrier for a lot of the emerging countries; because if you don't make the investment you are not going to get there? My observations.

MS. SOLÍS: Thank you very much. Interesting observations. Responses from the panelists, as we close?

MR. KAHLER: Well, just on the issue of in one pocket and out the other, which was a comment rather than a question, I mean that raises the issue of debt sustainability from the Chinese side, which Scott talked about. Talked about debt sustainability from the borrowing side, there is a large debt problem in China, so yes one pocket into another pocket, but ultimately it is debt, and someone someday may have to make up for that debt, it's presumably the Chinese Central Government. That's an issue, a larger for China but this is part of that issue, and the question is whether the Chinese relationship is going to be attentive to that as well.

MS. SOLÍS: Very interesting.

MS. KWAKWA: On the question of climate change, no. I think that for us we've issued a statement recently following the decision by the administration to pull out of the Paris Deal, so we recognize the importance of the climate issues, particularly in a region like East Asia, and so our work on climate remains very central to what we are doing. We are being asked for by our clients to support them on implementing the climate agreement, and their obligations to it, and we will continue to do that.

We've agreed with our shareholders, actually our shareholders including the U.S., have asked us to make -- to try and deliver climate co-benefits of at least 28 percent in our lending. You know, it's been agreed, and we are going to implement it, so no, the statement doesn't change what we are committed to delivering.

Now, then there was another question that I think it's directed at us, to some extent, on the non-concessional borrowing that some countries can do; I think it comes back to, again, to the issue of debt sustainability, and whether you think that matters. You know, because if it does matter and we believe the analysis about debt sustainability for different countries, then it should have a bearing on the obligations, the debt obligations that they take on. Yes, it might be somewhat constraining in some respects but these are the -- it's the reality but their capacity to carry debt is somewhat limited.

MS. SOLÍS: Thank you. Any other short comments?

MR. MORRIS: Well, just to tie actually to disruption point, I do think there are certainly macro events that could be disruptive. The interest rate environment we are in now, I think has enabled a lot, particularly in the activities of the MDB's it could look very different in the different interest rate environment, let alone actual macro shocks. I think, you know, the infrastructure agenda (inaudible) is vulnerable to that, and it does get to this issue of concessional versus -- concessional finance.

MS. SOLÍS: Great. Do you have one?

MS. WANG: Really quick about one pocket to another, I think let's not forget the One Belt, One Road is primarily -- was primarily a domestic redistribution of wealth, and it now is seen as a strategy of geopolitics, and it might have become that, but that one pocket just reminds me not to forget that. And it will have serious domestic consequence.

MS. SOLÍS: Okay. Thank you so much. We have come to the end of our time. Please join me in thanking the panelists for an amazing discussion. (Applause)

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CERTIFICATE OF NOTARY PUBLIC

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.

Carleton J. Anderson, III

(Signature and Seal on File)

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