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P R O C E E D I N G S

MR. KHARAS: Good afternoon, everybody. We were very, very happy and honored really to host for distinguished leaders of four regional development banks here today at Brookings and also grateful for all of the few to have come and join us this afternoon. Let me briefly introduce our four guests.

Charles Boamah has been vice president, chief financial officer of the African Development Bank for six years. He has been -- also serves as acting vice president, chief operating officer. Mr. Boamah oversaw his institution's temporary move to Tunis and successful return to Abidjan two years ago. He has led the Bank's resource mobilization efforts and prior to that he was a banker and mergers and acquisitions expert. So welcome. Thank you for being with us.

Suma Chakrabarty came to the presidency of the IBRD from being the permanent secretary of the Ministry of Justice. He has held several prominent positions in the U.K. government before he headed DIFIT, of course. The U.K. aid agency back in 2002 where he led the policy innovation in relation to the whole -- the U.K.'s development policy and has worked at the U.K. Treasury as well as the cabinet office.

Luis Alberto Moreno, president of the Inter-American Development Bank since 2005 has a distinguished career in the public and private sectors. He was Columbia's ambassador to the United States and was also minister of economic development of Columbia. Luis has received many awards and distinctions and is currently serving his third term as IADB president. Thank you for being here.

And Takehiko Nakao is president of the Asian Development Bank and chairperson of ADB's board of directors, an office he has held since 2013. Prior to that, he was Japan's vice minister of finance. Mr. Nakao has a long and distinguished public service career, both with the finance ministry as well as with the Embassy of Japan. He has also served as an economist and advisor to the IMF. Thank you also for being here.

The topic is the rule of the regional development banks in the new world of today. I think, (inaudible) colleague, Homi Kharas, was co-director of the program and senior fellow at Brookings will moderate the discussion. I guess a good part of the discussion will be around the catalyzing role of the regional development banks, vis-à-vis, private capital versus the more direct lending rule that they also still have and the balance between that is probably an important topic. I think when we think -- when we look back two, three years ago, we are in a world economy now that's quite different, but as the IMF, the board has reminded us, there's still 42 or 43 countries with negative per capita growth. So the fact that most of the large countries are doing well, it doesn't mean all is well on the development front. Having negative per capita income growth at the time when the world economy is supposedly booming, not booming, but doing reasonably well, is, of course, a very big challenge.

In terms of the many, many of these countries, what they need is de-risking the investments that the private sector can do. The public sector will not enough resources to meet their immense capital needs, but I think a judicious partnership between the private sector in development banks, being the public sector and also, of course, by natural still with contributions from the ever increasing philanthropic sector can unlock really a huge number of resources and can perhaps justify the -- saying that you were just mentioning from billions to trillions. However, we're very far from there yet and I hope today's discussion will bring out these issues and will show how some of the theory that we all have in our head, some of the concepts can really be scaled to the needs that are there -- out there in the developing countries. So with many thanks, over to Homi.

MR. KHARAS: Thank you. Let me invite the panelists. Thank you. So while we're getting all mic'ed up by saying that the discussions of today that we've seen around town are really discussions about how rapidly the world has changed in lots of different ways compared to the time when all of these institutions were setup. It's a discussion about -- in that changing context, are they really fit for purpose. All of them have been reviewing their strategies and developing new approaches and new priorities and taken together, the regional development banks are now significantly -- the knowledge as component of what we think of as being multilateral development bank system as a whole. So it's a wonderful pleasure and opportunity for us to hear directly from the leaders of these institutions about how they are changing their approaches.

Charles, I thought I would start with you because the -- Africa is probably the region where when people think about where the development changes are greatest; where the needs are greatest, they always come back to Africa. Africa is a place where for a while, there was this real promise of rising Africa, but now, many of those countries that come out, talked about are now diverging from the growth in the western countries. Many of those places are actually in Africa. Investment is trending down as a percent of GDP. So how are you going to address these challenges? What can you do differently to really make a difference?

MR. BOAMAH: Well, thank you, Homi and first, good afternoon distinguished ladies and gentlemen. We just say in case you were expecting somebody in a bowtie (laughter) he obviously couldn't join us this afternoon, but to address your question, Homi. The -- yes, growth has slowed down considerably in Africa. When you look at the aggregates, obviously, you have South Africa and Nigeria, which are obviously, a huge percentage of the GDP of the continent for the past couple of years. I've obviously seen significant slowdown and that has dragged the average down. But then, averages are averages and within the averages there are different stories that you can tell. So quite a few countries are still growing in the 6 to 7 -- 5 to, let's say, 7 percent rate including Côte d'Ivoire, where the Bank is headquartered. But it is true that overall, the growth has slowed.

Now, what are we doing about that and I -- one of the -- for many of you probably familiar with the banks, so the African World Bank's five priority areas that we identified as the areas to focus on. Interestingly, these five areas are also the same areas that there's a significant overlap between these areas and what it's going to take to deliver an agenda 2030 and also, even the African Union’s agenda 2063. So we all know the effect of the lack of infrastructure and just the growth reducing -- it hampers growth on the continent. The estimate is ranging between 2 and 2.5 percent of GDP lost just because of the loss of infrastructure. So that is a major part of the attention that we are paying or what we're doing to essentially increase and turn the situation around. Particularly in energy, you know the numbers again over some 600 million. Africans do not have access to energy and for companies that even, of course, the price of energy when you look at their inputs that actually drives down competitiveness. It makes it very difficult to compete. So these are some of the things that I could go on and talk about what we do in agriculture, increasing the value chain, in particular those through agriculture try to increase in agri-processing, create more employment opportunities for youth, et cetera.

I'm sure I'll have the opportunity to come back and elaborate more on some of these, but these are the main actions.

MR. KHARAS: And resources, your ability to actually deliver on this agenda, I mean --

MR. BOAMAH: Right, right. Obviously, what it takes to deliver on our high fives, also on the agenda 2030 and the African Unions, 2063. Yes, incidentally, the African Union based as designated African Development Bank, as the coordinating agency for the resource mobilization to deliver on agenda 2063. And because of the out saving the congruence between 2063, 2030 and the high fives, in implementing the high fives, we are automatically implementing agenda 2030, also agenda 20, so it's not two or three different paths. It's really the same thing.

The resource, that's a challenge. Clearly, overtime, over median to long-term, the financing should come from within the continent. So there's quite a bit of work, both in terms -- in domestic resource mobilization. We've assisted a few countries and Togo is a good example that comes to mind in terms of improving the tax systems. That assistance has led to a hundred percent increase in tax revenues after that project was implemented. We're working similarly with other authorities to address that. So that is a very important component over the medium term in terms of addressing -- for the Bank itself, of course, we're stretching our balance sheet. We are also hoping to engage our shareholders in the conversation on capital increase to also help address the financing gap. So there are different paths to addressing the problem. No simple solutions, but a combination of solutions that hopefully will get us there. Yeah, mm-hmm.

MR. KHARAS: Thank you. Nakaoson, let me turn to you because finally, even though Asia is probably the place in the world with the most rapidly changing landscape, many of the issues that were brought up in the case of Africa are also common to Asia. I mean, the idea that sustainable infrastructure needs are enormous that you have to invest tremendous amounts of new money there. Those are also very much Asian problems as well. And you've just been developing a new strategy after your 50th anniversary, you've just had this major expansion in your capital base. So things look quite different for you as well.

MR. NAKAO: Yes, Asia has been growing very fast and they're still growing very fast. We expect that Asia will grow, I mean, our developing member countries, except needs like Singapore, Korea, Hong Kong, and TAPI China. It is still growing at the pace of 6.4 percent, so double. Why does it happen and I think it is because of an investment in the infrastructure, investing education, and also what is really important is countries started taking more market-oriented reform after culture reboots in China late 1970s. India, Indonesia were not communist countries per se, but they took a very import substitutions policies and anti (inaudible) sent the system to abort maybe colonialism. But they started taking the reform, which is a more market-oriented open system and since the boosting (inaudible) ADB and together with the Royal Bank and the IMF, I mean, the -- what kind of role did we play? And I think it is to promote progress of activities by investing the infrastructure by supporting policy reforms three -- through policy-based lending, structure policy lending; are not totally appreciated, but overall though, the international system has promoted the more market-based approaches, stable market policies and so on, and also the need to investing the infrastructure.

So I still believe we can portray such a role for some countries. China still needs some, I mean, reform and we are still lending to them. They appreciate it. It is because our lending is combined with our knowledge transfer on how to do things, including care to environmental issues and social issues when we do projects. So combination of finance and knowledge is still important. The role of promoting good policies engagement to the international system. Even for China it's important and they really appreciate it. So this is the thing we have been doing and, of course, there are new challenges and we need a still large finance. Especially in the countries like India, Indonesia, they have a still huge infrastructure gap.

So how to promote the resource amortizations from progress is important; how to address aging urbanization new technologies are important; and we must also work to keep kind of a spirit of cooperation between countries. There are so many difficult issues in the world and also in Asia, there are some tensions between countries. How to manage these things -- we cannot solve totally these issues, but how to manage, to keep a spirit of a friendship, a spirit of cooperation together, that the regional corporation has also a very important role for us. I didn't answer to your question straight-forwardly, but, of course, I wish you mobilize more resources from tax revenues, capital market, to help the market, the saving through the government bond, and also policy (inaudible).

MR. KHARAS: Thank you. Suma, let me to turn to you because, you know, this idea of really promoting private sector development and you've probably emphasize growth more than many of the other institutions, but at the same time have a very different approach to growth and the activities that you support with much more of a private sector orientation ever since the agency was established. Is that still the way in which you see the rest of the world catching up, as it were, to where you started?

MR. CHAKRABARTY: I'll come to that. I mean, first of all, can I say a big thanks to Kamal, you, and also to Brookings for hosting. I've been sort of reflecting on a long life and development and it's 22 years ago that there was a last review of the system, the (inaudible) system. Twenty-two years ago, Wilford Talbot -- some of you will know him and remember him -- he wrote a really interesting piece on the system, as well. And now we have a G-20 led process through (inaudible) Purser's group. I think that's quite interesting in itself because 22 years ago, it was a G-7 dominated process through the development committee and frankly it was by the World Bank Group and it wasn't rather RDBs.

So why is this event important? I think something has changed in the system. The RDBs have become at the -- at a parents' table rather than still dining at the kids' table where frankly, very important to many countries. Not just on financing, bear in mind that many of the RDBs are bigger investors actually now than the World Bank Group in the countries in which we operate. But I think even more than that, not so much as the financing. I think as Luis very well reminded all of us, the skills and expertise that has grown up in certain themes and sectors in the RDBs, in each of the RDBs, in a quite specialized way actually has been, I think, making us more than the sum of our parts, and I think that's -- it's an important thing. So I'm very pleased just to have this opportunity, because I don't think we'd have had it 20 years ago, to talk about this.

-- on the EBRD itself, I mean, your question, yes, I mean, EBRD was always a rather specialized institution. You cast your minds back to 1991 when we created -- there was the world of Francis Fukuyama end of history. So look at our articles. Our number one article is an ideological article. It is about supporting countries that are moving towards multiparty democracy towards pluralism and through supporting the transition to a market economic model. But as we know, Nick is here, Nick Stern, our second chief economist for the EBRD and he, for me the godfather of transition in many ways, he himself wrote beautifully in those as in transition reports about what transition meant in terms of private sector development. That has changed. That's a big change since then. I mean, we didn't talk so much beyond competitiveness. Now, the EBRD's concept of what is transition and the private sector development we won't to see goes much further because we learned a lot more through the economic research that we've seen. So we talk about inclusion, we talk about Green, we talk about, resilience, governance, all these things that have come up now make for a -- the difference of the transition qualities to a market economy.

What has also changed is our geography. The E in the ERBD title is probably one of the most misleading letters of any in our RDB. We started off yes, in Eastern Europe and also the former Soviet Union, but since then we've expanded because the shareholders thought we were successful with this private sector development model into -- first in Mongolia, but then in Turkey, North Africa, Greece and Cyprus now as well. So our region, our so-called region, stretches from Casablanca to bloody wastage. You have to be a pretty bad geography teacher if you think that's one region. (Laughter) And so we are a regional bank, one regional bank, which actually now overlaps with other regional banks, as well. But still, still, the one thing we held onto is a private sector focus in the business model. And I think that's very important to hang onto that. We've, of course, updated, as I said, the transition concept. The geographies we updated. We have now shareholders beyond -- well beyond the original set. China joined me last year, as well.

But I think what's also happened is the development movement has changed, which has made EBRD's business model more interesting in a way than it would have been 15, 20 years ago. I think the way the SDGs have been positioned, the way the new climate agenda has been positioned has brought actually our business model more center stage than perhaps it was before. It was interesting for development experts to look at it, but suddenly we are now looked at and I think our collaboration with our other institutions looked at as an interesting way of going forward. So if the game is about attracting more private finance into development, yeah, we've updated ourselves, we've had to, to have to do that. But there are lessons to be learned in that, that we can -- so it's a model that's adapted, I think, in the way. And I think it's quite important, I think, that Takehiko and I often debate this, that we don't give an impression that everything we did in the past was up to rubbish and suddenly we woke up this morning and now it's (laughter) now it's the way forward. Actually, the issue is whether we adapt fast enough, but we do adapt, that's for sure. I think we have, as well.

MR. KHARAS: Luis, I mean, one of the big adaptations that you've been put in place is actually the creation of a new inter-American investment corporation precisely to reinforce this idea that it's actually the private sector that's going to drive change in Latin

America. How is that going?

MR. MORENO: Well, thank you very much, Homi, and it's great to be here with my colleagues of the other banks. Let me start by, you know, Suma was saying something very interesting as I listened to him. Thinking back, what was the world like in 25 years ago? And when you -- one looks back, I mean, actually, we did a lot of good things in development. And a lot of those good things means that many of our regions today are largely middle income, but with that came a real technocratic evolution that was basically trained across many of these institutions. And that's where the skills gap began to be closed. Secondly --

MR. KHARAS: The skills gap within your institutions.

MR. MORENO: Within your -- across our institutions --

MR. KHARAS: Yeah.

MR. MORENO: -- vis-à-vis the World Bank. So it used to be like Cinderella and the Seven Dwarfs, maybe in capital.

MR. KHARAS: Four dwarfs. (Laughter)

MR. MORENO: But -- yeah, but you -- never mind. I won't get into it. (Laughter)

MR. KHARAS: Let's not go there.

MR. MORENO: Little -- (inaudible)

MR. KHARAS: Right.

MR. MORENO: Anyway. (Laughter) But the point being is, there is definitely a change that came as a result of development and the bigger issues for the future are going to be this sense of adaptation that all of my colleagues have been speaking about, is how are we able to deal with the many challenges that today you see in the west that are the result of inequality that we have all learned earlier or later in our regions that inequality is the fundamental driver of populism, which we know where it is. So having said that, how do you begin to align our work to have that kind of inclusive growth and where are the pressure points where you look across the system in what is it that you can do. And clearly, I think the private sector plays a hugely important because most of the problems that you have in many of our countries is that the level of savings -- and perhaps the exception is Asia, are not where they need to be, so we will have to import savings and we will have to find ways to leverage those savings. And what in essence you have created here is a system that basically has the capacity unlike none to leverage, and this kind of platform to leverage public and private resources to me is one of the single biggest areas that we have. And doing it with a set of standards and quality that can have a ripple effect.

And I think that's the fundamental narrative of what we have, to address what? To address issues of climate change. I mean, all the deficits across the different regions in terms of infrastructure buildup, which are going to be central for climate change going forward, dealing as we have seen with natural disasters. The United States is learning what it is to deal with a natural disaster in an island that is America. But it -- that's what we have seen across the Caribbean and that we've seen across Central America in many instances, and that again, comes down to the kinds of gaps that there is no other kind of institution that can deal with them. And so the private sector also is central, especially as you look at SME development.

We all do a lot of work on SMEs. We know what it means in terms of jobs. But our capacity to focus on those businesses that have the real capacity to grow and become structurally central to an economy is another area where we provide a lot of support. So think of -- this is a system where more and more -- and we spent this morning talking about it -- is how do we have this cross-fertilization process across experiences in Asia, for instance, on logistics, or on a location? You know, you look at the numbers, that's way up. In Latin America there's been, for instance, a lot of experimentation on social safety nets, on larger (inaudible) where we made a lot of mistakes, the things that have happened Eastern Europe or for that matter in Africa. So I think we are uniquely positioned as part of the international system to be able to do something that no other group of institutions can do. Why? Because we are a brand that is trusted, our shareholders feel closer to our institutions, and they feel that they can have a different kind of dialogue. That is unique.

MR. KHARAS: Talk a little bit more because you’re -- you know, many people may not always realize that you’re an institution which is actually a small majority, but still a majority of your shares are held by your borrowers, not by the people putting in money into the institution, but people who are actually receiving money. And is that a source of this trust that you have of your closeness to clients? I mean, who’s actually pushing the change? Is it the shareholders, is it the clients, is it management, you yourself and the leadership of the institution, all of the above?

MR. MORENO: Well, look, of course it’s always all of the above, but I would say that all of our institutions have to some extent the -- ours is unique. I think the Africa Development Bank is the same case --

MR. KHARAS: Yeah.

MR. MORENO: -- where the majority of the borrowers are the majority of the shares. But this was done in a way -- in a very enlightened way when it was created because it forced a process of finding common ground. And so in essence, in regions which would be very easy to have fractures, the only way that the region as a whole has any kind of power is if they are together. And there is no other place where you can have the developed world talking about development with emerging countries in our case in Latin America than in the IDB. But I think that’s a very rich dialogue that takes place. And as a result, I think the fact that countries feel that ownership, feel that they can demand and basically push the agenda in the direction that they want. And yes, there'll be tensions from time to time; it's only natural.

You know, there's tensions in governments when in our case, when there's 48 governments, there's always going to be tension. But I think that's part of the -- part of what is unique about these institutions and that's why we -- on the one hand, everybody's coming at us and saying, "You have this existential problem. Why are you there, why you should be doing," but when you go deeper into this and start to look at the actual outcomes, that's when you see the difference of the kinds of things institutions like ours can do. And this is really -- as I thought about what Suma was saying, is the real evolution of the last 20 years. Because before we didn't exist as the way institutions like ours are and frankly, all of us -- if you want to look at it that way, we have been profitable.

We -- every year, we put money back into our reserves, we preserve the value of our equity, and we're able to use that leverage, and I think that's the other big issue and something that we have been talking with -- yesterday with the eminent group is, how do you use that leverage better? And one of the areas clearly is the use of guarantees. We have probably across the system 5 percent of our total portfolio's guarantees, but that can mobilize about almost 50 percent in terms of projects. How could you not -- today, you book at us loan, not like a commercial bank. These are the kinds of decisions, I think, across the system that could take us to another level.

MR. KHARAS: Thank you. Suma, I want to come back. All of you have, you know, essentially got country-based models, meaning that a lot of what you do is done at the country level. But a lot of the discussions that we now hear are about regional or global problems and issues. And so how are you now thinking about your ability to deliver on that agenda? How do you get your clients to think about this, take it seriously, and really address their own responsibilities in --

MR. CHAKRABARTY: Sure.

MR. KHARAS: -- terms of the global system?

MR. CHAKRABARTY: So I think it's a really question because when you have a private sector model, you have to appeal to animal spirits simply saying, "Look, you know, you must really care about the climate," isn't going to do the job in terms of IBADAH is working in energy efficiency, for example.

MR. KHARAS: Right.

MR. CHAKRABARTY: So and what's been very interesting about this work, we created a sustainable energy initiative back in 2006 because we started seeing technology -- energy saving cost saving technology beginning to reduce the price of investment and therefore, the payback periods became quicker and your cost came down in companies. Companies could see that they were going to get profitable more quickly by investing upfront and that technology's further advanced now and the payback period's ever shorter. So we had our bankers, whether they're country-based or sector-based, that had to go in and talk to corporates and banks and say, "Look, this is what the payback period now looks like. Come in with us." Now, at the same time, a lot of this investment initially, we lend the market prices does require some grand financing alongside, some potential financing; for example, do green audits within companies that try and persuade them of the case for movement. So it was a very interesting model and over time the concessionality has been reduced. We've been able to do that with the companies we've invested in. And I think that's a really interesting model of something that is a global issue.

MR. KHARAS: Mm-hmm.

MR. CHAKRABARTY: Yeah. But you -- we are tackling it at that ground level through the companies and banks in a way that actually appeals to their own immediate short-term animal spirits, as I put it.

MR. KHARAS: I mean, some people have talked about this kind of bring in the private sector as then being a substitute in some sense for private capital, but -- for public resources, but what I've just heard you saying is that actually you are putting in guarantees, you're putting in upfront investments, technical assistance, and things like that. So do you find it that in fact the two go together; the public capital --

MR. CHAKRABARTY: Yeah.

MR. KHARAS: -- complements the private capital?

MR. CHAKRABARTY: Absolutely. I think this should not become an argument. The development is only about private sector financing and the days of needing concessional financing are over. I don't think that's true. But we have learned to adapt our model the way we operate to marry the two better in many ways, whether it's PPPs or the example I gave, I think that's happening. Take another example, would be sub-server lending. You know there's a lot now directly to municipalities without sovereign guarantee. The sort of investments we're taking there: waste water services, water supply, public transport.

Yes, what we're trying to do is move these municipalities to more commercial practices, so tariff reform is a big part of what we have to have in place to see when they'll get to full cost recovery. But on the route, we recognize for access and affordability reasons you're going to have to have some concessional financing to make this viable. I mean, otherwise mayors would lose elections overnight if they didn't do that and that's -- that would ruin the whole process of development. So again, marrying the two. In our model, we do not like to use the grant financing to subsidize the pricing simply because of our mandate that's so strongly market-based.

MR. KHARAS: Nakaoson, are you finding similar kinds of issues? I mean, in

Asia also, I think this idea of regional integration is something that has really gone very far. You have promoted it, tried to organize a lot of your activities around connecting the region. And it such a diverse region; presumably, different countries benefit to different extents from that connectivity. How do you manage that process of getting solidarity across the region?

MR. NAKAO: Now, first of all, I would like to see that the Asian Development Bank at its surface created as a symbol over regional corporation. Many Asian people after IADB was established (inaudible) was established after they became independent from colonial powers in Indonesia, in Vietnam, and in Philippines, and the other region, India. They wanted to have such an institution which represent regional cooperation, integration and it's not like you, but they wanted to have institution to serve the (inaudible) region.

And the one thing which was very important for us was to top the money outside the region because Japan was still incurring the current doctrine 1960 -- mid-1960s. So unless we engaged with the known regional countries like America, Europe. The Asia couldn't, I mean, invest in infrastructure as much as they needed. So we started in 1966 and the first issue of a bond was in 1969 in mark in Germany and then in Japan and Austria in 1970 and America in 1971. The summary bond -- yen denominated bond was first issued by the ADB in 1970.

So it is a regional corporation, but also it is about the bank. How we can leverage the -- our capital, which is taxpayer's money by issuing bonds. So one of our issues I want to stress is that although MDBs regarded public institutions, those in a sense public institutions, but very important purpose is to mobilize private sector resources by helping their capital market. And also the activities over us is to promote market-based activities by infrastructure investment, by training people, by investing education and health, and also by promoting a regional corporation. So this is a very important function of ADB and the regional corporation that is now moving to more sub-regional things like charactering regional corporation. We started it in 90 -- late 1990s after collapse of the Soviet system. There was no connectivity after Soviet system collapsed.

We started the GMS, Greater Mekong Sub region in early 1990s because we knew that these (inaudible) allow those countries should be connected after the socialist element was gone. So this is also a very important element. So you mentioned whether it is the country oriented or not, of course, borrowers are countries and also private sectors, but we also have a very strong prospective of our sub-regions.

MR. KHARAS: Very interesting. Let me just alert you, give me a chance to ask one more question, then I'm going to open up to the floor for Q and A. But Charles, I wanted to come back to you because of this whole issue of bringing in money from outside sources. And, of course, the big new initiative that was launched earlier this year is the compact with Africa. There's no actual money, as I understand it, which is associated with that, but at least the idea is that it'll create the conditions for improved investment in some of these countries. What's your role in function in that -- in that and how do you see that compact as linking with your agenda 2063 and agenda 2030?

MR. BOAMAH: Thank you. Maybe before I answer that question just on the region integration and just looking at the region as opposed to countries, just to let you know that for the African Development Bank is actually hard quoted in our charter. We were setup and there was particular emphasis for the midpoint just so that in looking at a project, we should be looking at projects that are for the regional integrated nature, so that is very much -- and much of what we do has -- takes that regional approach.

But anyway, on the compact with Africa, first, we have, of course, been part of that group working with the World Bank, IMF and for the G-20 countries just working on the -- and we thank, of course, Germany for the leadership on the compact. As you rightly mentioned, Homi, this is not about additional resources, but it is about attracting the private sector. And so the work that has taken place compact, which is basically, you know, MDBs, the G-20 countries and multilateral development banks as the World Bank and the IMF also, helping to ease policy constraints in areas of microeconomic management and just all the things that would essentially make a private sector more attractive in the -- in the compact country, the seven countries, and the three countries that will be joining, as well. So this is -- this is what it's all about.

And clearly, in all of the discussions we've heard that yes, for us, the public sources are important. Increasingly, the -- bringing in the private sector in much more significant amounts is critical. And it's not a substitute for -- and that is a role that, of course, the public resources play in essentially helping to attract the private sector resources in a much more significant way. Much of this is the conversations that are taking place now in blended finance. I mean, this is really at the -- at the heart of that. And it is -- of course, there are principles that, as you know, have been agreed upon, the enhanced principles for blended finance and, of course, additionally being one of them. And clearly -- and ensuring, I think you made a point about subsidies. It's not subsidy, but just a certain -- maybe you're trying to minimize the level of concessionality that you include in the blended finance.

And so these are some of the things that -- but at the heart of all of that is creating the right environment for the private sector to operate and this is what the compact's all about. And we -- what is our role? We will continue, course, this is now moving to the implementation phase and we will, of course, be working very closely with the compact countries. There are, of course, investment forums that are going to be organized. The African Development Bank already has been planning an investment -- African investment forum to essentially bring -- make deals happen in a single year and certainly the compact countries will be part of the work on the African investment forum and I believe the World Bank is looking at similar forums in the -- over the next several months and years. Thank you.

MR. KHARAS: Thank you. Thank you. So now the floor is open. We've got some roving microphones. Gentleman here.

MR. COONROD: Thank you. I'm --

SPEAKER: We'll take a few questions and then --

MR. COONROD: Okay.

SPEAKER: -- I'll come back.

MR. COONROD: I'm John Coonrod with the Hunger Project and so someone mentioned mayors and there's been a lot of decentralization, devolution of finance. And the oddest agenda really called for scaling up investment in the capacity of sub-national governments to manage this and I'm just wondering how each of your banks are supporting that strengthening of sub-national capacity.

MR. KHARAS: Thank you. There was a gentleman in the middle over there.

SPEAKER: I'm Mando from ERIA, Economic Institute for ASEAN and East Asia and, you know, the past 10 years and the (inaudible) are changing and it's also power structure particularly, the development finance power structure is changing with the new (inaudible) and the (inaudible) and basically ASESAN Africa (inaudible) has a target quantity to target of getting 10 percent from MDPs liberating the private capital on how far the regional banks are prepared for it? That is my first question. And the second one is, how far this new strategy of finance plus (inaudible) that is to bring financing and the development experience lending, how far the banks are preparing for it and what are the constraints in it? Thank you.

MR. KHARAS: Thank you. There's a lady right next to you, if you could pass the mic to her.

MS. JONES: Thank you very much for excellent presentations. I'm Stephanie

Griffith Jones IPD Columbia. I think all this is fantastic, being able to leverage public resources, blend finance, but I think there are also certain trade-offs and risks. I mean, I think one of the problems is that the private sector always wants the public sector to take as much of the risk and to keep as much of the profits for the private sector. And isn't there a risk that there would be too many concessions, if you like, to the private sector if these links are not well structured, I think? And as the British say, I think a lot of the devil is in the detail in terms of how these transactions are structured, because if not, there could be this risk of facilitating profits and taking all the risks on the -- on your books and that of governments have to make. Thanks.

MR. KHARAS: Thank you. Should we quickly take some responses to that? Nakaoson, do you want to start with One Belt One Road?

MR. NAKAO: About One Belt One Road, it's -- I'm always telling that we have been supporting connectivity of Central Asia or making regions and connectivity. Connectivity's always very important in energy transport and so on, and this idea of connecting Asia and Europe is not new idea; it has been always there from the Hung Dynasty, Watunda Dynasty period and we are happy to corroborate with it on the project basis. But at the same time, we should look at economic feasibility, the equal -- my status of countries, so that is our idea about the One Belt One Road. About the PPP, we have been discussing PPP a lot, but to mobilize resources, private resources from within the country's not so difficult and Ray-Ray project in the United States King -- United Kingdom in the 19th century, in Japan in 19th centuries are from a private sector, PPP concessions from the government to the private business. And also, powers in most countries are developed by a private sector, so it's not new.

But if it is about mobilizing resources from outside, there is an exchange rate -- exchange rate risk commodity risks, regulatory risks, and many private sector cannot -- I mean, cannot estimate political risk -- political risk (inaudible) and I'm pretty sure has certain regulations about rating of the investment. So it's often mentioned, but it's not policy. So we must use these things as a part of world finance, but we cannot be very sincerely, candidly -- we cannot be overly ambitious about the mobilizing private resources from our side. But MBDB's role is to do good project as a model and we can also make a transaction (inaudible) services soon, but the PPP is not to pass here. Thank you.

MR. KHARAS: Luis. Finance plus, concessions to private sector?

MR. MORENO: Look, clearly, I think Nakaoson outlined many of the risks that exist in private public partnership. There are a number of those risks that institutions like ours helped (inaudible) to get, for instance, on financial closings. Typically, public private partnership can take -- a bid can be awarded and the financial closing doesn't happen until a year later. There's ways to anticipate that. There's ways that we can provide long tailors. There's ways that we can do it into local currency, which is a way to again, reduce part of the risks. And there is, of course, the whole space of regulatory risk and construction risk on PPPs. But the more that you have a certainty and a type of risk, the more appetite you will have from sponsors from participating in PPPs.

And then the flip side to that is that you will have -- if you have more appetite, if you close some of these risks, in essence the beneficiary at the end is the government because the overall cost will be compressed. So that's the other way to look -- and I totally agree that if the notion is, remove all the risks away from the private sponsor and take it on into the government, you're doing a very bad deal then. You know, that's where, you know, the risk adjustment has to be measured. But other than that, it is all about the art of crafting each and every one of these private public partnerships and one is not like the other and that's part of the challenge that we all collectively have. The EBRD has done a lot in this space. All of us have worked and learned little by little of how to address many of these kinds of risks.

MR. KHARAS: Suma, do you want to specifically take on the sub-national TA?

MR. CHAKRABARTY: Yeah. Well, I might have a go two or three of these.

MR. KHARAS: (inaudible) I bet you will.

MR. CHAKRABARTY: I think absolutely, the capacity of sub-national governments is very, very important in this. So when we typically now work with a municipality, actually, the first project is a sort of greeting card, but after that I think it's all about building up the confidence that we will then make suggestions about how capacity building can be done. So part of the concessional financing that might come in with us is actually technical assistance offering to build up that capacity. And I think that's been quite a successful model, actually, provided -- big proviso -- you've got a (inaudible) municipal team which is actually quite reform-oriented willing to actually involve experts from other places, as well. I think you will see that in municipal lending, it would also (inaudible) green city's action plan going forward, which we have. And we've -- actually, we're very selective, frankly, picking municipal parties where we know that there is that sort of, if you like, echo system in place at the managerial level, political level to make that happen. So -- but it's absolutely got to be a fundamental part of that, I think.

On the second point, I think, you know, the creation of the AIIB and the NDB, one reason they have been created is because the power structures and the existing institutions were not shifting quickly enough. It wasn't responsive enough. And I think we have to accept that this is one reason. And another -- if you'll go back 20, 25 years ago, the creation of these special purpose to be in the health sector area, these funds and things, was again because we've -- feeding the existing system, existing institutions were not tackling some of these communicable diseases particularly quickly enough.

So there is -- there's always been this adaptation because there's a frustration sometimes that the existing institutional setup isn't working very well. I think -- on the BRI, I think we are working very hard, all of us, I think, on the BRI with not just the Chinese, but with the private sector, as well. We had a very good panel, actually, in the Center for Global Development on this and they -- and then the biggest issue still for the BRI is, “What is it?” It needs to be -- have some sort of more clearer definition, I think. The number of countries is quite fluid. No, it’s okay to -- starting point, I think. The vision has very good values, actually, in it. The private sector focus is good. But I think it needs a bit of a conductor of the orchestra type thing and I think the Chinese are right to say it shouldn’t necessarily be them that’s conductor of the orchestra. It should be more of an inclusive approach to this. And we were discussing yesterday about how to create unit maybe which all of us can somehow put some resourcing into, to try and do that. I think that’s going to be a big thing for us.

On lending, if I can touch on that as well, Homi, I want to touch on that simply because I want to say hi to Stephanie who taught me. So --

MR. KHARAS: Yeah, exactly. (Laughter)

MR. CHAKRABARTY: It’s great to see you here. And so I think the question she raises is a really good one on the trade-offs. Holding my hand up, I worked for a while in the U.K. Treasury on privatizations, for example, and PPPs and even in advanced like the U.K., getting that detail right, the devil in the detail, it was absolutely the key issue about risk transfer. And the U.K. learned over time how to do that. It’s as -- it’s a big issue and when we talked to many of our countries of operations about getting the right skillsets in -- within the governments to actually tackle this -- and to be able to negotiate contracts, which really makes sense. I have experience of this back in Zambia, actually, when I was Dfid, Zambia where it was quite clear the Zambian authorities wouldn’t -- I was troubling to negotiate with copper interests and actually was a role I felt of a Dfid or a multilateral to put in the technical assistance to build up the specialist expertise within the government.

I think the other role for an NDB like ourselves, also sometimes to be an honest broker to think about the incentives in our own institutions. It would, of course, be wonderful if we did more mining projects in, say, Mongolia. But it is also understandable that many Mongolian people and politicians worry about what is the revenue share-out between the Mongolian entity and the foreign company? Now, that's an interesting case, where I'm giving you a case that's live two or three years ago in the case of Autoba where the EDB -- the AD -- the EBRD, although it was the financer of the project, also had to step aside and be honest broker in the relationship between the company and the government, which is hard sometimes because of the incentives to lend with institutions. But it's very important we do have that sort of wall between the bankers who are trying to get the project through and those who are also trying to help the government have an equal footing in the negotiations with the companies going ahead.

MR. KHARAS: Thank you. Charles.

MR. BOAMAH: On the last --

MR. KHARAS: Briefly.

MR. BOAMAH: -- point about equal footing, we actually -- they have -- we set up about eight years ago the African Legal Support Facility precisely to provide technical assistance to -- well, it initially started of us sort of help fighting off vulture funds, et cetera, but increasingly now works with just providing the capacity to be able to negotiate on an equal footing and it's working very well. The -- I think the question about, I mean, do you -- I mean, just to put it in my own words, do you socialize with the losses and privatize the profits by having these deals that don't work properly, I mean, it is -- if there was the detail and it's really how you structure the deal, so not too much of the conversation has taken place now.

On just how do you enhance transparency in these deals is really -- they are all intended to help address that issue. So here, even in terms of the reporting on these transactions, the rationale for the transaction, how much of that is due to -- how much of the blending is due to our -- is to address affordability issues, for example, or to address externalities? So that, hopefully -- it's not a perfect science, but as we get better on the -- reporting on the transparency of these transactions would certainly help to address our concern that you are not essentially giving the farm away and that you -- structure with deals that are in the best interest, of course, of the country, of the people, and that these are deals that without the blending would not have otherwise happened.

MR. KHARAS: Mm-hmm. Thank you.

MR. BOAMAH: Yeah. On sub-nationals.

MR. KHARAS: Oh, sorry.

MR. BOAMAH: Yes. Today, very quickly, we are doing a lot -- most of our lending is, of course, to the sovereigns, but increasingly, I mean, we're actually developing a policy on that. We're overlooking at countries like Nigeria, we're at the state level. They're knocking on the door and saying -- the South Africa, as well, the municipalities are very strong, and so we -- that's the conversation we'll be having with our board on just what we do sub-national, so that's coming up, yeah. Thanks, yeah.

MR. KHARAS: Thank you.

MR. HERSHEY: I'm Bob Hershey, I'm a consultant. To what extent are you able to use the internet to hold meetings and get transparency and get the funders to express what they need and the people in the areas to express what they need?

MR. KHARAS: Thank you.

MR. HURLEY: Hi, I'm John Hurley at the Center for Global Development. There was a story in The Financial Times today about some tension between -- reported tension between the Obama administrate -- or the -- sorry -- (laughter) the Trump administration and --

MR. KHARAS: Sure.

SPEAKER: That, too.

MR. HURLEY: -- the World Bank over the capital increase and China's role and graduation of countries. I would be interested in hearing your perspectives on the issue of graduation and capital increases. Thank you.

SPEAKER: Next, London School of Economics. I wasn't going to ask a question, but then the word graduation came and I (laughter) couldn't -- I couldn't resist. Essentially -- and this is to ask you what your view on this is. Essentially, the MDBs have special advantages which allows them to be on the frontiers of the challenges in the countries and the sectors they work and take on the difficult things. And that is their duty, to take on the difficult things, expand the frontiers. That way helps us to understand that graduation is really rather a silly expression because what MDBs need to do is to take the challenges facing the countries and the sectors at that time and take on the more difficult parts.

Suma, you described inequality and inclusivity, climate change, and greening, and those were reflected in the remarks right across the panel. And those things are deep and have got more difficult in many ways. So that frontier, that challenge is always moving, sometimes --

MR. CHAKRABARTY: Yeah.

SPEAKER: -- in complicated directions and complicated dimensions. So do you think you can change the debate to say this is a development banking purpose, moving the frontier out, taking on the new things, taking on the difficult things, using the advantages, the special advantage or capital base to do exactly that? So the graduation actually isn't a very sensible question. The sensible question is, are you really on the frontiers? Are you really doing your job? Are you really pushing them out? Are you really defining the frontiers and the challenges in a good way? And are you taking on your shareholders on those issues?

MR. KHARAS: Another one right there.

MR. ALLEN: All right. My name is Muhammad Allen. There is a digital financial source revolution going many -- in many parts of the world to provide access to the poor and the (inaudible) population in many parts of the world. What's -- what are your institutions each -- what are your institutions doing in order to help support your -- I mean, member countries to build the infrastructure and the ecosystem the payment system -- electronic payment systems in each country?

MR. KHARAS: Thank you. One last one there.

MR. COLORINA: Thanks. Thanks. Rob Colorina; I'm with an equity group, AIAC. My question is a simple one. As far as things like volunteerism by those retired, are you seeing greater participation by those that are either retiring or have exited into their communities? I'd be curious at some of the differences that might be within the regions represented on stage.

SPEAKER: (inaudible) I didn't get a question.

MR. KHARAS: Retirees from your community and how they participate in development and driving development for --

MR. COLORINA: Thank you.

SPEAKER: (inaudible)

MR. KHARAS: Please.

MR. NAKAO: Yeah. Because there is important question about graduation and as the World Bank is facing these issues of graduation for some countries, especially in China, ADB is facing the similar issues. Because be amassed our concession window AESEAN

Development Fund, which is like IDA, the -- our ordinary capital resource window, which is like IBRD, we have enough capital unto at least 20, 25 even before we're growing our -- the lending by 4 percent or 3 percent a year until 2025. So we have more space and about China most basically, I have a very strong view that engaging China through our lending operation is very important for the international committee and Asian community. Because as Mr. Kim said, we can -- we can learn more things, so by doing the things together and we can apply that kind of knowledge especially to other countries. That is one.

And also, by lending to China, we have a more diversified portfolio, which is helping us to get that AAA. And we can also make us some money to take care of other restructuring, of course, because we are lending to China with a funding, of course, plus some, I -- some additional spread. So those economic reason, but in addition, China has been 30 years members from 1986 and we still keep type A China as a member. But anyway, it has appreciated ADB’s support for finance plus knowledge. And even if it is more developed, they still want to learn more things from us about the knowledge of how to do things for ASEAN care systems and about the technical and vocational and education and training in (inaudible) waste facilities and so on.

So it’s really important to continue to engage China in the community and they are very happy to support the system, so why not they including them? And -- but at the same time, with the graduation idea itself is needed or not and does -- some people, even Chinese people will sell (inaudible) say this. But at the same time, our system is supported by the taxpayers’ money or the shareholders. So if they become super rich, like Singapore, for instance. Singapore has already graduated. There is no support for shareholders, taxpayers to continue to support such a country like Singapore. They can do by mobilizing the western resources.

So what I want to say is that depending on countries' situation, the case with China, there is still reason to support it because they still need issues on strengthening to support SDG substandard with (inaudible), climate change. There's just a certain externality we can enjoy together. So there is a reason to continue to support it and I hope that the U.S. -- the Administrations would understand this positions of ADB because we don't request the further capital increase at this moment. And if they (inaudible) our stance of a continued engagement with China with lending, not just advices, it's a very effective way to engage in.

MR. KHARAS: So then, are you moving in the direction, as Lord Stern said, to graduate China from kinds of engagements, but move towards different kinds of engagements where you can really add value?

MR. NAKOA: Yeah. Very important point and last year when we compiled the new country partner strategy, the alliance with the strategy of a five-years program, we -- our focus is moving toward the climate change and the other externally rated elemental public works and the regional corporations including with the Central Asian countries, American regions, and also issue some enhancement project for (inaudible) reduction itself is there, but they can mobilize their domestic resources. That is very kind of an intuitive device by taxpayers of, I mean, shareholder countries, but if there is something we can support them by strengthening the decisions. The money -- a major part of money comes from domestic resources, but by doing the things together like the education for rural, I mean, farmers, we can still support the transitions of a Chinese system to support SDGs and so on. So it depends on the country's decisions, but the case of China, I still feel that there is just so many things we can do to China.

MR. KHARAS: Thank you. Charles.

MR. BOAMAH: The -- well, I won't say much on graduation. I mean, we -- for us, when we talk about graduation, it's a different concern. I mean, we have our middle income countries that borrow from the market window, I should say, and (inaudible) when you graduate from the concessional window to the market window, the -- sometimes questions as to whether they -- they've been graduated too quickly because -- and, of course, you may have even in a middle income country where there are obviously pockets of poverty, you may even have in some cases where there are conditions of fragility in some parts of the -- of the country that need to be addressed with soft -- with a concessional type of resources. So far as that's -- those are the types of issues that we deal with when we talk about essentially graduating from the concessional to the market window, the bank itself. Unfortunately, (inaudible) where we're saying, "Well, this shouldn't even be borrowing from the market window." We would like to -- we would love to get to -- we would love to have that problem soon. That means the countries are, of course, doing --

SPEAKER: (inaudible)

MR. BOAMAH: -- doing great. Just -- I think there was -- there was a question about, you know, some of the --

MR. KHARAS: Internet?

MR. BOAMAH: -- payment systems and certain risks, we have find that some -- the West Africa payment system, for example, is one that we supported. On just the inclusion of the -- on the unbanked, I guess, again, the significant amount of work that has been done working with some of the -- some of the financial intermediaries and some of the financial institutions across the continent to try to reach out to -- and even telephone, mobile banking. There's been quite a bit of work in those areas to just say, because as you must -- I'm sure you know, particularly in East Africa, it is quite advanced, the work that (inaudible) and all of them are doing in mobile banking. We didn't necessarily work on that particular, but in general, there is a broad support for --

MR. KHARAS: Thank you.

MR. BOAMAH: -- reaching out to the unbanked.

MR. KHARAS: Okay.

MR. BOAMAH: I think (inaudible) your question about the -- are we taking on the challenges? Are we asserting engagement to shareholders and talking about the role of MDBs taking on these different -- and this are -- these are some of the things we highlight, of course, in our conversations on justifying the need for some more capital to precisely take on these greater risks and these greater challenges, and we hope that the shareholders, of course, will respond favorably to these requests we are making, that we need to essentially take on these challenges to create the environment for -- everybody wants the private sector to come in in a more significant way, but somebody has to, in our value chain, take on some of these more difficult aspects of the value chain to encourage the private sector to come in, in a -- in a much more significant way. And we believe -- and I believe that's the role of MDBs to do just that, yeah.

MR. KHARAS: Thank you. Suma.

MR. CHAKRABARTY: Well, I mean, to hope, two of these. First of all, I think on the aging population question, this is actually incredibly important in Eastern Europe for us. So my worry about Eastern Europe, and we had a growth conference in Budapest maybe about a year ago, is they're neither tackling the migration issue or the aging issue. So we have a real problem, I think, in the labor force composition in many Eastern European countries for this reason. Politics in the case of the migration issue plays a big part and in the aging issue, I think we haven't really thought through, I think, in many of these countries how to get older people, who live much, much longer now and can be productive for a very long time, how to get them into the labor market. And so in that sense, that region resembles quite a lot of what Western

Europe goes through, but Western Europe actually did, of course, open up much more to migration than Eastern Europe, I'd say. And that's, of course, a political debate in many countries.

I think on the -- if you go to North Africa or even the Balkans, the issue flips and it's about young people mismatch between the sort of vocation and the labor market needs. And there -- therefore, we have to work very, very hard to -- through SMEs and other facilities to try and actually absorb this huge bulge in the youngsters joining the labor market, but with the wrong set of skills. So that's -- and I think there, we actually do have a much more active engagement with many of the countries we work with and the -- and the companies we work with. But it's all part of our strong inclusion strategy, which also covers older workers, too.

On next question, I mean, as Nick knows, shelters. Shelter coherence is a big issue, I think, in the G-20 process for the (inaudible) and I would say, as some of you will know, what is mission creek to one shelter is mission-critical to another shelter. (Laughter) And the job of us, us lot, as managers (inaudible) try and present, in my view, the evidence to try and get some sort of evidence-based discussion of this and graduation is a perfect example of that. So in the case of EBRD, we've only had one country that graduated, the Czech Republic, under a policy that Nick Devie as chief economist and that was back in 2007. We expected several others to graduate the next year because they were also reaching the case where basically we were no longer additional and the commercial banking sector could fill most of the gaps. That was a policy then.

What happened? Financial crisis happened and therefore, for a good transition development reason, graduation was postponed. Quite rightly so, I think, actually. But now, we've -- as I said earlier, we've updated the concept of transition itself. So we're looking at lots of different things. Rationality test is still there. That's very, very fundamentally important. But what we might want to do in some of these countries may be different because our understanding of development has changed, well, transition has changed. So in the case of some of these advanced East European countries, I think there's a perfectly good case to focus and narrow it down to a couple of areas where we are still able to say, "This is actually a good thing in terms of transition," equity financing, for example. In those companies in Eastern Europe, advanced countries, which might become regional or global players, we should be at and investing now, I think. Energy efficiency is the other one.

This is still the most energy-intensive region in the world, Eastern Europe, and because of the way the communist ran these countries. So there's a huge energy efficiency agenda still where you've got these additional, but I would say for the Baltic states, for Slovakia, that's the game now we should be. And so graduation as a concept, I think, is one of those concepts that's -- can be seen as rather static and needs continuously to be thought about in terms of the new circumstances in which we face now. So that's the debate we have, we at EBRD have down now, but we have on that very issue shareholder dissension between sets of shareholders who believe different things on this. We tried very hard to bring them together on this.

MR. MORENO: On the question of internet technology, are we communicating, we do it all the time. I think the wonderful thing of technology today is that it allows our staff, which is our most important capital, to even stay at home and work from home and so we -- we've done that internally as an institution in a very big way and really revamped our whole systems, which is always a very, very large investment. But equally, to take all of these new technologies and help countries internalize and adapt and I think in any one of our countries -- I mean, Asia certainly is way ahead than many other regions, but this is one of the central issues of the future and it is one of the biggest concerns in many governments, certainly one of the big concerns in the Argentinian G-20 presidency and we actually together are working on the future jobs precisely for that very reason and we're presenting a paper to the Argentinian presidency around that.

In terms of capital increases, look, I think it's been overly spoken about. The -- this tension didn't come with the -- with the new administration; it was there with the World Bank, with the Obama administration. The reality is that at the end of the day, as Suma correctly put it, you need some kind of shareholder compromise. And they have been done in the past. And it's been done through selective capital increases because the worst thing that you can do to any one of these institutions is to one day because of the mission creek one shareholder sees to say, "Okay, I don't think you should exist anymore." You shouldn't do that to the rest of the shareholding and stop the institutions from growing and doing the kinds of things that they need and I think that's a critical area.

On Nick's question of graduation, look, I think -- let me give an example because I think this is very important. It is the kinds of things that you're do in country that change over time and that doesn't mean that the development challenges disappear. So I'll give you an example, Chile. The most developed country in Latin America. Their price -- if we went to lend to them, they're actually paying a higher cost for our lending because they can go to the markets and lend actually below our cost of funding to them. Why on earth would they come to the IDB? For a simple reason: because they want the combination of knowledge, of technical assistance. In which areas? In things, for instance, like a major tunnel that will connect Argentina and Chile. They want us there because they want an honest broker. They want us involved in one of the most interesting agendas that I have seen recently in Latin American around transparency and anti-corruption. The whole profound change on a -- on an agenda of poverty and transparency was developed with the help of the IDB. And equally, all the change that took place regulatory speaking to be able to ramp up significantly all around renewable energies for a country that largely has to import energy. And if you looked -- any one of you looked at the Vice President Gore's new sequel to The Inconvenient Truth, it will show you how because of that regulatory change the huge number of solar and wind -- solar-power plants that took place. So these are the kinds of things that we can deliver. We have different kinds of countries in different stages of development, even though they're middle income. And when you talk about the middle income trap, well, it happens for a reason. And that trap is precisely the kinds of things that one can help.

And finally, a very clear economic case. In our case, we have four countries. In Latin America, we serve 26 of those 26 countries, four countries generate 58 percent of our income and represent 26 percent of our expenditures. Take Haiti, which is probably more like an African country in this region, we provide $200 million worth of grants. We have to spend $12 million to do those grants with a focus and well spent. If we'll have the generation of that income from other higher income countries, this -- the numbers simply wouldn't close. So it's easy to make this mission creep kind of argument, but I think we got to bring it back, as Suma correctly says, to a more rational argument.

And look, you know, this is -- I laugh when I see it. You remember back in the go-go years of starting in 2000 Professor Milton was saying, "Why have these institutions?" Boom, comes the financial crisis. Everybody runs to do capital increases. The U.S. Treasury is saying, "You got to graduate the Caribbean." I want to see how we want to graduate the Caribbean right now. (Laughter) So this is the kind of short-term thinking that unfortunately bureaucracies have, but they need to really be able to have that longer-term vision, which actually at the end of the day is what we're paid to keep together.

And the -- in terms of the unbanked, I think this is one of the most important areas. We all collectively do a lot of things working with technology. You see fascinating developments like Alibaba in the case of China, where in 40 seconds to -- they're using big data; they can process a demand for a loan from somebody just simply observing how they operate and the kinds of things they're buying. This is, I think, one of the most important things for growth. We all know and we've -- there's all kinds of reports, everybody has written them, of how the unbanked have the highest difficulty of getting access to resources and if they were get them, how that would change economies entirely.

On the retire side, I will close there. The big issue in our region is basically about the change of the demographic bonus or issues of pensions are huge, are at the center of the kinds of structural reforms. I mean, we work largely on areas of fiscal and structural reforms that governments require for growth and this is one of the central pieces for growth going forward to where we have to do a lot of work. And we can provide a lot of the intellectual knowledge precisely to help the base that are not easy in any country, as we have seen today.

MR. KHARAS: Thank you. Thank you. Suma, you had wanted to --

MR. CHAKRABARTY: I just want --

MR. KHARAS: -- comment, but as you do, I'm going to give each of you just one minute. Tell us as a last word, if you closed your eyes and said, "Just grant me one wish," (laughter) either for yourself or for the system as a whole, tell us what that wish would be. So first your intervention, then you've got one minute.

MR. CHAKRABARTY: Well, I think maybe I can --

MR. KHARAS: Combine the two?

MR. CHAKRABARTY: -- do the two together.

MR. KHARAS: Good.

MR. CHAKRABARTY: Because actually I was going to respond to Nick's other point, which was about innovation. Are we at the frontier always? And I think one of the questions, a really good question that -- certainly in the private sector model and this is one of the things to watch for which is very client-based, most of the innovation comes from clients. Actually, because clients need something, so whether it's the hospital in Eastern Anatolian Turkey where we would meager on a credit enhancement mechanism, the first of its sort, my question afterwards: this is fantastic, but when are we doing the next one? And it's like, "When is the next innovation coming along," and it's not going to come along until a client asks for it. And I think this is an interesting issue compared with the government that you and I both worked in where often, ideas are coming in much more porously into the system, actually, than an -- than an MDB, strangely enough.

So Richard Thaler has just won the Nobel Prize for Nudge. You know, so my first question to my colleagues was, "Well, did we ever think about using Nudge, to actually make clients -- nudge them towards, you know, trying to," we haven't thought about those sort of techniques at all, whereas, in government that is actually quite common. The nudging in the U.K. has used -- been there for a long, long time. So I think innovation and being able to respond more nimbly, you know, more flexibly to country needs, to client needs is a -- and I don't just say this because the usual thing here to say -- in these situations say, "Shareholders are holding us back." Shareholders are a part of it, that's for sure. Governance is part of it. But it's also ourselves and our incentives internally, which they're not in charge of, actually. So I would ask to -- well, being willing to be set the right incentives for more innovation to be at the frontier.

MR. KHARAS: Charles, one wish? Life is perfect. (Laughter)

MR. BOAMAH: Certainly. I mean, we talked about a capital increase and you need that to advance the work that we're doing and so that certainly would be what I would like to see, yeah.

MR. KHARAS: Thank you. Nakaoson?

MR. NAKAO: Yeah. What I want is to keep spirit of cooperation among countries and I strongly believe so many states are still central institutions in the world. Even before you're talking about UNC (inaudible) our system and our system. Still, we need very strong institutions (inaudible) states to collect money and to provide welfare to the people and to have financial stability by sometimes mobilizing public resources. But still, leaders of our countries, leaders of any institution should look at the long-term interest of the (inaudible) including so many states, and to do that we need (inaudible) we need to manage the conflict, and that is my wish. Thank you.

MR. KHARAS: Luis.

MR. MORENO: We've spoken a lot about graduation today. I hope by the end of this conversation, you see that regional development banks have graduated to a new level. And that's such --

MR. KHARAS: Yeah.

MR. MORENO: You look at us as a central part of the international financial system whereby if that alone happens, our lives will be so much easier because our shareholders will look at us differently.

MR. KHARAS: Here, here. Very good. It was good. Thank you. Thank you, all.

(Applause)

SPEAKER: No, it was good.

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