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P R O C E E D I N G S

MR. McARTHUR: Good afternoon, everyone. Welcome to Brookings. My name is John McArthur; I'm a senior fellow here in the Global Economy and Development program, and acting director of the Africa Growth Initiative.

And we have a terrific discussion today, and a terrific event. We are co-hosting with the IMF, and delighted to be doing so. We are here to talk about low-income developing countries and their macroeconomic development prospects. This is a report that the Fund recently launched, the third in a series; and we are delighted to have, at a time when the world is very much focused on what's happening in the high-income countries, and a lot of regional cooperation issues.

For example, in Europe and North America, in particular, it's an important moment to remember, we can't take our eye off the ball, as an international community, from the low-income countries that are, of course, facing their own ongoing challenges as well; and of course, many, many successes too.

So, we couldn't have a better group to discuss it today. But we'll start with Dr. Tao Zhang, who is the deputy managing director of the IMF. Dr. Zhang was previously -- he joined the IMF only about eight months ago, in his current role, but he was previously a deputy governor of the People's Bank of China. He was also, prior to that, the IMF executive director from China, for several years. And prior to that, had a distinguished career in the People's Bank of China, and also working in the Asian Development Bank, and the World Bank, and so forth; so, really a distinguished career, a tremendous perspective to bring to the multilateral system and to thinking about these issues around the world.

This is, you know, co-hosted with the Africa Growth Initiative here, which is, of course, reflected in many of the low-income developing countries, but this is a truly global issue, so we'd love to kick it off with Dr. Zhang. Please? Welcome to the stage. (Applause)

MR. ZHANG: Thank you, John. And good afternoon everybody. First of all I would like to thank Brookings to invite me to this event, and to share with you what are the main findings of our most recent issues of the report on the low-income developing countries. As you know, the IMF, we are paying considerable attentions, and I should say persistent attention to its low-income members.

And by what I said, the low-income countries, or the so-called LIDCs, I mean -- or we mean that those who have per capita income below a certain threshold. And particularly those are eligible for our concessional financing windows from either the World Bank and the IMF. And we have a lot of the acronyms, I don't want to get into it, but that's pretty much the sense. And clearly, these LIDCs, they are a diverse group, and of course are facing different development challenges, and different external shocks, and of course require some differentiations in their analysis and responses.

But adding them together, they are accounted -- even they only accounted for 4 percent of the GDPs, the global GDPs, but in terms of numbers they comprise one-third of the IMF membership, and one-fifth of the world populations. So, that's why you can see it is our mandate to serve these countries. It is our objectives and missions to keep them engaged, and in issues and circumstances of these countries, of course are often different from other groups of the memberships, which IMF has it, and of course merit a separate analysis.

So, that's why this is the border -- sort of the background, or if you want the contacts we have been preparing the report, on the macroeconomic development and prospect of low-income developing countries. This is our third year of preparing this report.

We've just issued in January, so very much like, take this opportunity to share the findings and discuss in details what is the prospect, and to some extent, we propose to cover a wide range of the issues, and we propose that possibly sometimes more questions than answers, now need all of us to provide input. So, I'm looking forward later on, on my colleagues at the Fund, and also the colleagues at The Brookings and other institutions, will provide their insight into the discussions.

So, I'm not sure you can read it, because it is light-grey. So I have the -- what I'm going to talk about today is several graphs. First I will explain to you what is the purpose of the studies, and then I'm moving on, what is the mainstream of the studies, and then the next is what is our assessment and outlook, and then move on to, what is our advice -- what is our policy advice, and then touch upon, once the doctor make the diagnosis, what is, you know, the treatment. So what is our work now; and the work to come? And later on of course, I conclude the session.

So, let me start with the purpose. And as I explained, we have our mandate, but on top of it, particularly for this year's, we have some things that are called Sustainable Development Goals, this is the -- the official name is, as you know, is the 2030 Development Agenda. This was, the international communities agreed upon, in 2015, that the Sustainable Development Goals, or the acronym is SDGs, everybody agreed to work together to achieve it by 2030.

I'm not going to, you know, discuss each and every, of them, what I want to point out that this SDG agreed at the Platform U.N., and also endorsed by the subsequent G20 Summit, and other areas of the international arenas. And IMF also, of course, actively participated in the work in terms of, through the various kinds of working groups, and of course we committed in a number of respects. That's why I wanted to, you know, commit it -- that's why I wanted -- putting them up, up front.

So, in terms of that, what we at the IMF are trying to do, is try to help achieve the SDGs together with other development partners through, for example, scaling up the support for domestic revenue mobilizations, by spending -- by extending the infrastructure policy support, and increasing engagement with fragile and conflict-affected states. And of course we are now, try to operationalize the work on income and gender inequalities; and of course on economic, financial and social inclusions.

And of course we will also continue to strengthen our financial support for low-income developing countries. So, these are the initiatives in a broader sense. Let me know touch upon the theme, the main theme. The theme is, for this year's report is pretty much the -- What is the difference of this year's themes compared with last year's.

So, the main theme is, we are trying to look at is a -- you know, there's a -- the major, sort of the changes in terms of the cycle of the commodity prices, and what is the policy adjustment needed to these, we call the severe shocks to commodity prices. And as you can see from this very simple, but quite illustrative a picture it is, you saw the commodity super-cycle, saw the commodity prices fall to less than half of the levels that we have seen before; starting from, for example, in the middle of 2014.

And particularly, this is, if you see the red lines, this is the fuel, or oil prices that give you even more, sort of, the phenomenal trend. And so, last year we document the shocks, a look at the impact on growth, inflation and fiscal external positions. And nowadays, according to our staff assessments, the cycle, where the lower level of the commodity prices will be persistent despite the recent, you know, uptick a little bit, but will be persistent, stay for a while. So this is going to stay with us, particularly stay with these low-income countries, and then the question is: How are we going to do it? What are the challenges?

But before we open up the advices, then let me go through what is the staff assessment on the performance side. And as you see, most of the low-income countries experience a strong and sustained growth more than decades before this super-cycle ended. And of course, it all happened before the -- coincidently, with the period of the global financial crisis.

But right after the -- like I said, in the middle of 2014, there is a sharp and sustained, at least sustained until now, the decline in terms of the GDP growth together, of course, with commodity prices. And you can see that overall is declining in terms of growth, and more sharply, what we call the commodity exporters, and particularly for fuel exporters, compared with other non-fuel Commodity exporters.

And you see actually that the other group, which we called diversified economies, these are less -- sort of the commodity export-dominated economies, or even sometimes they have net importers; they actually experience rather limited fluctuations or slowing down in terms of growth.

So you can see overall, for the entire group, the growth slowdown, but less impact on the diversified economies compared with Commodity exporters, and particularly the fuel exporters. And the downturn obviously had an impact on a number of the aspects in the economies, first of all you see the fiscal conditions has deteriorated, and both in terms of the balance, and also in terms of the stock on the debt.

If you take, you know, the red lines, which is, this is sort of more pronounced in terms of the oil exporters both of the balances deteriorated quite sharply, and the debt stock pick up rapidly since the -- you know, around the neighborhood of the financial crisis.

I don't want to get into the details, but it clearly is self-illustrated -- by itself. And if you go further, as a result, the reserve coverage also weakened quite a bit in terms of the number of the -- the coverage of the number of months, which is standard, we are using as illustrations. But if you really get into the numbers, I will show the similar pictures, and the very study deteriorating in terms of the coverage of the external sector buffers.

And in terms of the sentiment, you know, at the Fund we do the annual surveys for memberships, and if you look at the sentiment in these countries, look at what -- the percentage of the countries under stress, what is the likelihood of the financial stress in the next future, in the medium, or short to medium terms, 12, 18 months. So, these are, all the survey data will show the sentiment, increasingly pointed to the financial distress.

And what about the outlooks? The outlook suggests, overall, the recovery, in the next couple of years is quite modest, and of course with a sizeable downside risk, and I can just point out a few number of it, for example, the growth rate will accelerate a little bit, from 3.7 percent in 2006, to the 5 percent in 2017 -- 2018. And in terms of increase by the growth numbers, it sounds like a little bit -- not very small 3.725, but don't forget these are low-income countries, the base is quite low, so that increase is not enough pull them out as we expected.

And particularly, many of these recoveries were attributed to the recent uptick in terms of the commodity prices, including oil, but that won't, you know, change the long-term pictures here.

And, of course, in terms of the current account balances will remain broadly unchanged, but the growing import demand in the diversified economies, that also played a role. So, overall you can see that the number doesn't change much, and all pointed to the pictures for the next couple of years, not that solid as we expected, or as we wished to be that kind of level of the solid.

So, in terms of risk, and I can name a few of them. One is of course the slower-than projected global growth, and because of the -- you know, this geopolitical uncertainties, and of course the anticipated -- the commodity prices remained weaker, and some -- also the role played by -- we are facing the normalization of the monetary policies in the major, advanced economies. And of course, finally, which is the old problems. Many of these low-income countries are very vulnerable to natural disasters, and because of their size and locations.

So, these are the assessments; so a moderate recovery of the downside risks. So what to do? What is our policy advice? I should be going up quickly, a little bit. What we see, our advice is pretty much under the two fronts. One is of course to still keep the macroeconomic stabilities. By macroeconomic stability we mean, we will continue to build economic resilience through, for example, strong, broad-based tax system, and ARPU reserve positions now with buffers against the external shocks, and so forth.

And more importantly, of course, there could be the structural reforms coming from different angles. Economic diversifications and the strengthening up of education, for capacity building, and of course the agricultural productivities, and stronger institutions, and so forth. But this year's the theme we have a highlight that pointed to the infrastructure investment.

And so let's zoom in on infrastructure a little bit. We'll take an in-depth look at the infrastructure investment in the low-income countries, and we find that the infrastructure is essential stimulating a strong, sustainable and inclusive growth for these countries.

As you know, that the infrastructures in these economies obviously lag behind, both advanced countries and the emerging markets. So, there is a demand, obviously. There is a gap, obviously. So, how to do it? How to make up the things? And one of the -- of course the obvious -- the response is how to finance these things. How to enhance the infrastructure investment; and what we are pointing to is to try to of course strengthen the domestic resource mobilizations, and you have to come in from your own revenue base, rather than, you know, compare it entirely to external assistance.

And second, of course, you have to pay the efficiencies of the public investment. Indeed, our assessments make us convinced that these low-income countries have a higher proportion of private sector investment. But still, the efficiency is the problem, and of course the involvement, the engagement of the private sectors in these areas, still, there is a bigger gap on it.

So, understanding these issues, then what the IMF is doing, and what we are going to provide for the help in these areas? So, of course we begin with the normal assistance that the -- policy advice; policy advice we will go through our normal surveillance operations, so that's Article IV, and also at the multilateral levels. So we have a regional surveillance, we also have a multilateral surveillance product; these are all going well as we have been doing for years.

And second, of course, the capacity development, and I named quite a few number of the acronyms, so these are the new initiatives. I don't want to get into the details, but overall these are the initiatives we developed these days, to give developing countries, low-income countries a framework so that they can pick from each of these initiatives to help them train their staff, build their institutions to develop the capacities. Because we think the capacity development is the most needed in these countries.

And of course, finally, we need -- continue to provide financial support, and not only continue to provide the support, but also we want to increase the support as you see during the last three years, our support in terms financial -- in financial terms actually picked up quite rapidly. And, not only that, we provide our concessional facilities by 50 percent, and on top of it, we are setting, permanently, zero interest rate on our rapid credit facilities, which is the instrument to support these low-income countries.

So, we try to provide more help, and we'll provide the help and the lower cost, and also we provide the help with skills, and try to help them to gain the capacities in these areas. And, that’s what we have been doing, and looking ahead, we have continuous, I mean work on -- by focusing more on sort of the emerging issues. One is the, you know, the macro-structural policies and income inequalities in low-income countries. And social safeguard, I think later on the panel will discussion on it, Jo Maria, will work on it.

And also the depth of sustainability framework, this is the joint work, we work together with the World Bank. So, all of these are on the agenda.

And so that pretty much will bring my, sort of, introductions to the end, but before I go -- going away, let me just recap what is the main take-away from it. So basically, we are facing a subdued, the global commodity prices, and we are also facing divergent challenges for these low-income countries ranging from commodity exporters to more diversified the economies, and size wise, we have big-sized countries like Nigeria. We also have very, very small-sized economies in those -- you know; the Pacific, areas.

But nonetheless all of them are facing, you know, the increasingly adverse economic prospect, and need to focus on the areas with priority responses for policy actions. And very important is that; how to better the infrastructures into the development agendas, and here there's no miracles, but you have to get to the infrastructures into efficient management, and you have to get the private sector to get involved in this development of infrastructures to tap the resources, not only the public resources, but from the private sectors.

So that pretty much ended my introduction session, and I leave the floor to the panels. Thank you very much. (Applause)

MR. McARTHUR: Excuse me. I would like to invite our panelists to come join us on the stage, if you will; and are getting all mic-ed up.

Thank you so much, Dr. Zhang, tremendous insights, and much to discuss, so we'll look forward to this now. All right, while we get the mics set up, I will just take a moment to introduce our panel.

First is the person next to me, who, in many ways needs no introduction of course but, you know, delighted to be with a long-time, I would say, friend, colleague, role model, on some of these issues; really the dean of African economics and economic policy; Donald Kaberuka; so, a former president of the African Development Bank, former finance minister of Rwanda. I think African of the Year, at least once. But, you know, also most recently since he stepped down and concluded two very successful terms at the African Development Bank, he's been based out of Harvard, at the Kennedy School, he is Hauser fellow in residence. And he has been recently appointed Special Envoy of the African Union Peace Fund.

And has also been very active in the AU Reform Panel, that just had a major meeting about two weeks ago, I think, and he has been working very hard with some of the best minds from around Africa. And most recently, I should add, has also joined as a TPG, the Private Equity Group as an advisor. So he's, you know, crossing all of the boxes in terms of cross-sectoral perspective on these issues. So, Donald, we are thrilled that you are here; thank you.

Next to him is another distinguished colleague, who is Jo Marie Griesgraber. She's Executive Director of the New Rules for Global Finance Coalition. Previously Director of Policy at Oxfam America, and prior to that Director of the Rethinking Bretton Woods Project, and the Center of Concern. She has a PhD in Political Science from Georgetown, just down the street, and brings to this; I think a very complementary perspective on a lot of these social injustice issues, in addition to the institutional design questions.

Next to her is our former and ongoing colleague, Amadou Sy, who is of course the Director of the Africa Growth Initiative, here, at Brookings until very recently. And the IMF grabbed him back to take a Senior Advisor role in the Africa Department. But he's here today in his capacity as a Nonresident Senior Fellow with Brookings, and is bridging, and we'll hopefully talk a bit about some of the research that he's done, with the Brookings the past year, over the past couple of years, and how that relates to today's topic.

And then, last but certainly not least, is Dr. Sean Nolan, at the end, who is deputy director of the Strategy, Policy and Review Department of the IMF, and really led the work on this report, I think, with the team, under Dr. Zhang's directions. So, delighted that you are here, too, Sean.

So, as our lead discussant, if you will, I would love to give a bit of time to Donald Kaberuka to share his thoughts on, the report to these topics, and the issues more broadly, that you think low-income developing countries are facing right now.

MR. KABERUKA: Thank you. Thank you so much. Good afternoon. I want to begin by saying that I think it's an excellent report. And commend the IMF Staff for the work done. There is very little here one can disagree with or simply point out errors, I think require a lot of attention beyond what are mentioned here by the Fund. Other than to say that how far the relationship between the IMF and low-income countries have come?

Believe me, if you had come to the IMF in 2000 and mentioned infrastructure, they would think you must be coming from Mars. Infrastructure was not qualified as a priority expenditure in the Fund programs. So, you had the social sectors, these were classified as priority expenditures, but infrastructure was classified with the foreign affairs and military as non-priority expenditures.

So, again, to address the IMF, they have come a long way to understanding the link between economic growth, and economic transformation, because the notion that low-income countries who were obvious of welfare, international welfare, was quite widespread in those days. I recall a conversation I had with the former MD of IMF, Horst Köhler at the time; he could see my logic when I then, to say, look, we are going to spend more on energy, on connectivity, on highways and water. But in the programs he had put them in non-priority expenditures.

So I think the Fund has come a long way in innovation, more instruments, but also understanding what is it that low-income countries need to move away from the category of low-income countries. After all, remember that low-income category is supposed to be a temporary category, because every country on the Planet Earth has been poor at some point, some of them very recently. But the idea that low-income country is a transitional category is something we must try to hammer down into a policy framework.

Number two, but if the IMF has changed, low-income countries, too, have changed. And

I like very much the approach the approach, the DMD, of classifying them with the different taxonomy, they are so different. But something else has happened too, which I think it is important to bear in mind, for example, it's you approach the work on financial stress, low-income countries have seen rich countries mess up their financial sector with huge negative impact on low-income countries.

And therefore you have to be careful and approach this by saying, financial stresses are not a specific problem of low-income countries, it is a global problem. Some of it we know; others of it, we don't know. But I think it is important to approach this from: What are the inter-relationships of these financial flows?

An example, during the global financial crisis who were called on by G20 to provide trade finance. We don't do trade finance, it's not our area. That is European banks were retrenching from Africa, there was a gap on this particular instrument. I suspect now with new Basel Rules there's going to be more need for institutions, like the World Bank and others, to provide instruments we didn't provide in the past.

But also low-income countries have seen lessons from the emerging markets, they have looked careful at China, at Brazil, at India and so on, and there are lessons there, some of which would be nontraditional lessons you get from the International Monetary Fund.

The reason I mention this, my friends, is because I really like this infrastructure approach. But remember, in the last few years, the biggest contributor to infrastructure finance in low-income countries being China, and the capital market. And so there had to be some way of thinking on how much debt space, physical space you want to allow to make sure that power, highways, and airports are built.

It will be very important to understand that while capacity building for this country is important there will be some lumpy expenditures in the short term to try to close the infrastructure gap. And I'm glad in some countries you are doing that.

But the biggest problem I have with this report though, I don't know if it's a problem or just an observation; and since I'm no longer president of the Bank, I can speak to you freely. I think it makes too big a story of commodities; it is as if low-income countries are a function of what happens in the commodity markets. I would say enough to nuance this story, and I have two reasons.

Number one, as you can see from the chart here, it is the net importers of oil, for example, who are sitting on six months of reserves, where the fiscal tensions, BOP tensions is low, because there have been major beneficiaries, but I do think the issue is not about commodities, we need to look at commodities, we need to look at investment, determinants of investment; we look at domestic demand, and we need to look at the impact of more regional trade, especially in Africa.

I think you may want to take another look at this commodity issue. In our days, when I was in the Bank, I asked our economists, go country-by-country, and try to give a ballpark number, what's the impact of these commodity super-cycles? In (inaudible) review, we came around to a number, like, maybe 30 percent, but it is very much driven by investment, huge amounts of investment, in infrastructure in particular. Where, you know, trade, especially in the ECOWAS, and the South African regional space, and therefore, you may want to nuance this for that reason alone; (a) they are the factors.

My second reason, which should not controversial, I hope, is that although the super-cycle has come to an end, commodity prices are still quite high. Given that there was a time when Nigerian budget was based on $40 barrel of oil, today we are at 52, so there's still a lot of things they can do on the commodity side, but I think in the case of Nigeria, actually they have suffered more from the Delta Crisis, so a lot of volumes being produced, they bring down the price effect.

But I think if you look whether it is copper, whether it is coffee, whether it's oil, prices are going to be high compared to what they were a couple of years back. And that’s why I like the emphasis here, on saying to these oil exporters; you have room to expand the fiscal base. That is fact. Northern Nigerians would deny to the Angolans or the Congolese, and other countries. So we can expand the fiscal base.

And also I like the emphasis here on exchange rates flexibility, because at least the African countries have observed, they are not oil exporters. If they had worked hard on expanding the fiscal base, if they had been realistic in terms of the exchange rate flexibility, I think the capacity to absorb the shock of the oil from 90 to 40, would have been much easier.

I want to urge you to continue working with these countries on this, but don’t give them an impression that hail has come down to them because of oil price from 80 to 40. No, it hasn’t. It is an oil price, which still provides space for them to do fiscal adjustments, they have challenges on the BOP, on the balance of payments, but if they allow the exchange rate flexibility, they are in a better position to adjust.

And finally, this was maybe another point I think could have been given greater emphasis, maybe it's in the report, I don't know. This was true of inclusion, and what it means for the work of the Fund. You know, growth is important, one staff of the Fund used to say that growth is a starting point for inclusion, unless you want to have inclusive misery, but if you want inclusive growth, it has to be growth. So, I agree.

But growth is only a means, a means to better human living conditions. So what does it take in terms of fiscal space? What does it takes in terms of composition of expenditures? What does it take in terms of education, agriculture, gender, and so on, the kinds of things the DMD mentioned? I would like to see these things having as a big a weight as commodities so that there could be a better composition.

Finally -- you gave me 10 minutes; I'm not 10 minutes yet?

MR. McARTHUR: You're doing great.

MR. KABERUKA: Thank you. Finally, you begin by pointing out the Sustainable Development Goals in which John here worked a lot, he's a guru on this issue in the room. So, what does it mean; all these nice things? It means two things: (a) how to find the financing? So among the IFIs we had many meetings, with Ban Ki-moon at the time, and presented a report called, From Billions to Trillions.

There was a clear understanding that went into this matter in terms of identifying additional resources to fund all these things. Now, the Millennium Development Goals, again which Zhang worked very hard, were placed on more aid from rich countries to poor countries. Not rich governments, philanthropy, so many things, and the progress we have made on health, for example, on infant mortality, on HIV/AIDS, has been a function of huge amounts of inflow into the health sector in our countries.

But SDGs are different. They are not premised on more aid, because there is no aid. Rich countries are no longer rich as they were in the past. At least so they tell us. The social funding is now very diverse, very diverse, but the biggest of them, the biggest of them is domestic resources.

And so I do believe that probably they would be adding to the report as well, the emphasis on what the countries themselves are doing to raise more funding for their development, how they spend the money, what are the natural resources from other areas, is extremely important for the Fund. It is not simply about the capacity building, no. It's a lot of things like illicit flows.

So, what do we do about this? The report came out, it shows illicit flows, I'm not saying criminal flows, it is illicit flows on taxation, on the race to the bottom by countries giving all these investment incentives. Right? If together we could work on that area alone, to give many, to be supported by the World Bank and others, that is for Africa, that would be a huge start to make sure they kind of fund their own SDGs.

But if this is not national corporations who come to our countries continuing to act the way they've acted in the past, and all of us think that this is a minor problem, then we can't go from billions to trillions by countries mobilizing their own resources. There are governance issues, and so on, I think that's a big issue that requires attention from the Fund.

Now these are my modest points. I hope that you find them useful. But I'm happy to answer more if you wish. Thank you.

MR. McARTHUR: Thank you, Donald. And I think, interesting. I picked up interest in some of the charts, a few of the same points as you, the commodity index in several of the countries is still above 100, and fuel is the lowest but others are -- compared to 2005, and it even gets to this point, even the aid, aid is not about to grow, but it's still higher than it was in many countries in 2005.

So a lot of these are relative shocks, and a lot of these are long-term structural shifts. And so I think the point of a report like this is ultimately to help frame the debate, so it's doing that in a very constructive today on these issues.

Now let's turn to Jo Marie. I'd like you to share your thoughts on, again, the report and the broader issues for low-income developing countries more broadly.

MS. GRIESGRABER: Well, thank you very much. And congratulations to the team who wrote the report; and some of the other reports that have been coming out of the IMF. It is not your same old IMF. I've been working on the IMF, I believe it's about 27 years now, based on the age of the child with which I was pregnant when I started. Because I have a great marker, I know how long I've looked on the Fund.

And I would like to recommend two papers that complement this one. And it's the very new, very hot off the press: Macro-Structural Policies and Income Inequality and LIDCs, and I know at least one of the authors, Stefania Fabrizio, is here. They've done a brilliant job of looking at pilot countries where the IMF has been testing, how do you really implement the policies of reducing inequality, protecting -- they are called in the safeguards in the IMF -- their targeted -- conditional or non-conditional cash transfers is the preferred form.

And there's a second paper that is really one of my bibles when I try to say, and the Fund is doing this really great stuff. It is called Staff Report on Spillovers and International Corporate Taxation. It's the May 2014, with Michael Keen and Vicky Perry. These are some of the heroes of the Fund right now. It's really a radical transformation of the institution.

When you look at, now I like to hold the Fund's feet to the fire, because that's a position I got down pretty good, you know. I know how to criticize and prod. In the tax paper there are four pro-poor tax policies. And some of them are mentioned, you know, in this paper, but I would like to complement, and bring them together. In fact, it would be a challenge for the IMF to integrate these perspectives, into all this advice and training you are going to be giving them. Not, you, who "you" are.

MR. KABERUKA: Not me.

MS. GRIESGRABER: (Laughter) Okay. The four pro-poor polices are: VAT, which I love to hate, I think it's regressive, and sometimes the Fund Paper even calls it regressive. Yes! We are winning. Personal income tax, corporate income tax, and then the one that's sort of the ghost, and that's property tax; that's where a lot of work can be done; it's extremely progressive. I know because I pay real estate taxes in Fairfax County, I know, and listen you don't -- you can't run away from your real estate tax, you just can't unless you are going to live in a trailer some place, on wheels, and you still keep moving.

Okay. So, those are the integrations that still have to happen with the conversation about all the stuff you are going to do. Not to disparage it. Okay? I am not an economist, I can talk like that.

MR. KABERUKA: (Inaudible), but that's right.

MS. GRIESGRABER: Okay. The other point I'd like to say is that, what is absent in this and in some of the other things I've been looking at, is the consultations needed with technical advice, or with the advice the IMF gives. For example, not to name names, but I do, it's my job, the Institute for Capacity Development, there's a strategic plan by one of those departments called MCM, but I don't know what it stands for, so I'm not guilty of pointing fingers, of course; they consult with everyone in the IMF, and they consult occasionally with governments.

They never -- they virtually never consult with regional banks, they certainly don't consult with the ATAF, for Tax Administrator Forum, or the CIAT, in the Inter-American Tax Administrator's Conference, work with regional partners. You know, peer-to-peer training is really better than having someone who knows everything in Washington come in and tell you everything you need to know and then leave.

So, also, in terms of the financial advice you provide, and now we have at least five new acronyms to learn. I'm sorry, but by the time I got to that point in the paper, my head just -- I said, I can't learn anymore acronyms. I hope somebody else can pick and choose, and I hope everybody in Washington knows everything they need to know about this. I can't guarantee that.

All right. Now, what they need to do with finance, it's very tricky, you make -- a lot of mistakes are easy. Work with the Financial Stability Board, it's impacting Africa, you may as well have a voice within the Financial Stability Board, you can do that both for the regional consultative groups, which can tend to be top-down. There are six of them, they meet sporadically, read their press releases, you will learn nothing. But the countries are present in the room, and they can demands.

You can also work with the secretariat, you can work with the representatives of the G20 governments who are friendly. I won't say Dan Tarullo, God love him, he's leaving though; there are other people who are very open and supportive, they can work with and get your views in and talk with you about the consequences.

SPEAKER: Yes.

MS. GRIESGRABER: You don't have to be victims. I just want to say, debt, God forbid, not again, 27 years, debt. Why don't we have a global bankruptcy mechanism for nation states? They pay market rate interest, why can't they get debt relief. And then when looking at fuel exporters and the need for energy, God bless all the poor countries, they are all in the tropical zone, solar, don't depend on fuel, go with climate protection.

I'm sorry, that's all my preaching, that's all the time I'm given. Thank you.

MR. McARTHUR: Thank you so much. We are coming to come back and have more conversations, that's just the first pass, but we are hoping to broaden the agenda of the discussion.

Amadou, you've been researching a lot of these questions from different perspectives in the past few years. What would you like to, you know, add to the conversation?

MR. SY: Yes, sure. But first allow me to make a pitch for the recent report, called The Africa Foresight, where we try to discuss the whole set of issues including how countries are adjusting to the commodity price shock. It's available on the Internet, and it's a great report.

So, first, I mean -- I think this report, and along with other IMF reports, have a very, very important public good element. I mean, having been here at Brookings, which is a non-profit, I can tell you, it's very useful to be able to have these documents, the statistical annexes and so on, and use them to start a conversation. You don't have to agree, but they are very useful, and it's free, which is great.

The second thing is, so when we did look at the case of this commodity exporters, and then what happens, is you see these boom bust cycle again, you know, you see the prices of oil going down, you see twin deficits, current account and budget deficits shooting up, which means that you have to finance them, and the problem is that external financing requirement are increasing exactly at the same time as financial conditions are kind of tightening. Right?

And so then you have -- if you put yourself in the shoes of these policymakers, if you were the minister of finance in one of these countries, even Mongolia, which is a huge commodity exporter, suddenly the money is dried up, and you have to find some. And you have to also have credible and decisive adjustment, and the problem is, we've seen many countries have a kind of tentative reaction, a kind of slow reaction, and then you see their reserves going down.

You see parallel exchange rates popping up. You see control -- you know, the Central Bank having to control who gets dollars or not. All these are signs that something is not going right. Right? And so as you have to deal with this short-term shock, you have also the SDGs that you have to achieve, right. So, you basically, have this big short-term problem, you need the pain medicine, it's hurting, and at the same time, you have this medium-term to long-term objective that you have to achieve, and they are both related.

So these guys and women are really facing a tough situation here. And so typically then, in terms of the short-term adjustment, you know, your reserves are going down, so you need to do something, it's difficult to borrow outside although Nigeria manage to do it, but a high cost.

So, the typical medicine is you have fiscal contraction, you have to, you know, let the exchange rate take some of the adjustment. You need to increase the interest rate, but then you have too, some inflation, you know, because the exchange rate goes down you might have some inflation, so you increase the interest rate. At the same time you are checking your state-owned enterprises, you are checking your financial sector to see whether, you know, you have some unintended problems from the -- you know.

So, for example banks depend a lot on the oil sector, and you have the oil sector having a problem, so you don't want these banks to go in trouble because of that. And if it doesn't work, or if you want more help go to the IMF, you go to the World Bank, you go to African Development Bank, and it's happening. Right? But while all of that is happening, I think one should also, you know, this saying that never let a good crisis go to waste, that to also maybe take this crisis as an opportunity to really, you know, fix the machine.

The problem is like, you know, oil exporting countries, they are like oil tankers, you know, it's very slow to turn the tanker, right? But you have to do it. And that's where all these issues of structural transformation, the role of agriculture, the role of agro processes, this huge issue of domestic revenue mobilization, as was said, I mean, that's really where most of your income revenues are coming from. And you have to deal with it.

And in oil exporting countries, this means tough questions. What do you do with the VAT? Where, in many oil-exporting countries the VAT is some of the lowest in the world, right, but it's a regressive tax. So, what do you do? You know, and there you have advice that you count on, and in there it's your choice but you have to do something about it.

How about the non-oil sector, right? If you look at the GDP rebasing exercises, you see that the non-oil sector has grown a lot in many countries, but it's not being taxed, right. It's not contributing that much to fiscal revenues. So what do you do with that, right? The role of the private sector, you might have a private sector that also might have been too dependent on oil. Or, you did not give the non-oil private sector enough incentive, enough choices, or reducing its constraint to pop up; including SMEs.

The role of the financial sector, the role of the institutions also but -- Yes, one minute? So, my last minute is devoted to my last point, which is I think this is also the time to revisit the social contract, right.

During boom times the prices of was good, was high, you had winners, and some sectors, some parts of the economy benefited a lot from this boom. So, now that we are in a bust or maybe too low for long, we don't know, but I think it's wise to maybe think of it as a permanent shock. What is happening when you adjust? You will all again have winners and losers, so maybe it's time to revisit the social contract.

Maybe some of the winners in the boom time have to chip in now, right. So, I think the report is very rich, and that's one issue, you know, there is so much you can do, but basically three points; you have the short-term adjustment, the pain medicine that is needed, but second you have these SDGs and, you know, all this medium to long-term issues that you have to deal with, and this is a time to use the crisis to revisit the social contract.

So, I'll come back to maybe some of the issues during the Q&A.

MR. McARTHUR: Right. Thank you so much, Amadou. I think these issues that are being raised. And so maybe a question for Sean, there is a challenge in writing a report like this, and you have to boil the ocean to distil. And it's a lot of complex dynamics.

MR. NOLAN: Yeah.

MR. McARTHUR: There's the reporting function, there's an analytical function, there's a policy set of questions and functions that are embedded. And just to summarize a few of the points that have come up. You have, you know, the near- versus long-term economic dynamics, and growth dynamics beyond the macro principles.

You have these very fundamental issues of tax and tax cooperation which of course are somewhat on reset now after some of the legislative changes, executive order in this country, on extractive industry just last week. So that a lot of people I know who have been working on that issue for a long time, feel like that's not moving forward, to put it one way.

You have these debt issues, and the long-term macro issues which haven't come up yet, interestingly, in a deep on kind of the bond issuances of a lot of low-income countries. We are starting to see, of course, the U.S. Fed announce the climb of its interest rates with a very uncertain path. I know a lot of, you know, macro economists looking at low-income borrowing, and are nervous about what that's going to look in the next 5 to 10 years.

So, I'm just curious, your reflections on the comments you've heard, and how you might respond to them, as someone who is driving this analysis, but also, you know, for the benefit of the audience, any reflections on how you choose at a time like this, what to put in the report that's so important.

MR. NOLAN: Okay. I'll try and answer it, that big question with a few short points. One thing I think was an important message from the report is the idea of actually diversity across low-income countries. It's very easy to tell a homogenous story, which is almost -- it's actually not -- it's dangerously wrong. The collapse of oil prices was a disaster or Nigeria, for Bangladesh and Ethiopia it was extremely good news.

And it's that -- and I think the report charts show very clearly is that basic message, a lot of countries are continuing to do very well. East Africa, Southeast Asia, low-income countries in those areas are doing well. The countries that are doing poorly are those who have been hit by the commodity price shock, and let's be candid, who have mismanaged the commodity boom previously.

None of us talked about the crisis Nigeria in 2009, when the world of -- price of oil was down in the dumps again. And the answer was why: The Nigerians have built up 60- $70 billion of reserves in the previous four or five years, which is what, of course, you should do with a highly volatile commodity revenue.

This time around, that money wasn't there, so that we got a very different story that Donald has described, the rationing of foreign exchange, and actual economic contraction. So, one big point there is avoiding the stereo types, and saying: what is the interesting division in this particular case?

In other issues commodity exports are not germane, but interpreting -- is of the interesting division, but interpreting the macro of what's happened in the last two years, that's the divider between those who are doing well, and those who are doing not. To Donald's points about the need to look at illicit financial flows as part of the broader DRM, domestic revenue mobilization agenda is very well taken.

It's funny when you take that issue which has a lot of political, sort of, momentum from IMBCA Report and so forth, and then you take it to the technocrats, the technocrats see things very much in tax terms, for example. Or rather than, they don't combine a whole range of issues. Corruption is one issue developed by this group. Tax is another issue to be developed by this group. We agree entirely that within the whole area of tax, I think that tax is actually probably the central, the most important issue in terms of IFX.

I take the point entirely on the importance of international tax corporation. It's not the BEPS alone, and implementing new rules will not deliver, there's more that's needed. The whole issue of the push by the G20 on issues relating to transparency and beneficial ownership; these are all really important parts of the picture. And there are issues that we will be paying more attention to, I guarantee you.

On the issue of infrastructure, I think we get it on the infrastructure. We actually get it on inequality, the importance of both. We are not players on the infrastructure except in terms of state capacity. Actually, it could be a very candid part of our motivation in focusing on the topic, was to give a greater push to the (inaudible) to trading's agenda which has produced a lot of rhetoric in 2015, but is still not yielding much in terms of results, and that's where the current G20 initiative on the compact with Africa may actually have some positive effects.

A last comment, I think, on the debt, bond issue points that you mentioned. I think we've seen, obviously, a number of countries slipping back into debt distress, Mozambique would be an obvious example that would come to mind. When we look at it here, we see what I'd call; there's no sort of clear picture of generalized rising distress, but there is a picture of a number of countries moving into dangerous terrain for different reasons.

We are looking at this in the context of revising our debt sustainability framework, which is a methodology for trying to look at debt sustainability over the medium term, and trying to draw lessons from this. Certainly bringing the whole question of bond issues into that framework is something we've been looking at closely.

It's an issue, I think, that everyone wants to follow, certainly those who are following low-income issues, country issues will need to keep an eye on, is indeed the problem of rising debt burden, but I don't see it as a systemic issue, I see it as a -- not an idiosyncratic one, but there's -- because there's a significant number of countries, but it's not a generalized trend, and -- Maybe I should stop there actually.

MR. McARTHUR: Well, thank you. And thank you all. And thanks to the audience. You've been terrific. We are at about 2:10 right now, and you've been very -- you know, I can see everyone pay close attention, hanging on to every word of six people so far. So, I'm a little bit unorthodox on all these things, because I don't think human beings like to sit still for too long, but we want to open it up to questions and answers for a little bit.

So, just as an experiment, I just want to challenge everyone, or even give you the opportunity to grab the person next to you, and just say, what's the one question you would like to ask if you could? (Laughter) Because we are not going to be able to hear from everyone, but I think it's a nice thing to just say: like, what's the one thing if you could ask? And I'll say, I don't know if we have a hash tag for this event, but if anyone wants to tweet a question at me, I'll look at my phone at, @McArthur, and I'll see if anything comes up from the room; just an opportunity for those of you who are Twitter.

Well just take 15, 20 seconds, grab the person next to you, what's the question that's burning in your mind right now, that you'd like to ask, and then we'll see which ones we can get up here. And I'm going to come back to the panel in just a second. So, take 20 seconds.

(Discussion off the record)

Okay. It was 20 seconds we were on. We are efficient here. All right, so I'd like to open it up, and we've talked -- I'm just going to ask one question of the panel and see whether they'd like to chime in on it, and then open it up. And we've talked a lot about the issues that could be added to a report like this, and could be added to the agenda. I'd love if we could focus on this infrastructure bit, a little bit, because (a) it was, you know, Donald's signature issue, in many ways, at the Bank. And you push so hard to put on the front page internationally.

We've seen more and more of this effort. It's linked to the Billions to Trillions agenda, it's linked to the domestic resource mobilization, linked to the private sector mobilization, and I would say, and going to climate changes, everything. It's really kind of the mega interface issue of the macroeconomics of the Sustainable Development Goals, because the dollars implied are so large.

I'm curious. I don't feel like we are there yet, in terms of mobilizing where we need to mobilize, but I'm curious, just to each of you, what do you see as the most crucial next step to get the infrastructure financing, or the right types of infrastructure financing, where they need to be for the low-income developing countries? Donald?

MR. KABERUKA: Well, first of all I want to say that three of Africa's fastest growing economies today which is, Ethiopia, Rwanda and the Ivory Coast; although all of them, non-oil exporters. They've got three things in common. Number one, they have sustained the macroeconomic reforms of the previous years. They have not wasted the momentum. In other countries the moment has been lost.

Number two; try as much to integrate with the neighborhood. Ethiopia with Djibouti, the (inaudible) available, which cuts travel from 10 days to 10 hours, and investment in infrastructure; then a small country, you guys have to go Rwanda and see how infrastructure has transformed these countries.

There is a need that poor infrastructure cost low-income countries at least 2 percent of growth every year. And so if the Fund is going to move from structural adjustment to structural transformation, we will figure that out, how to work together on infrastructure.

Now, so where is the money? The money is not the problem. There's so much money in the world today chasing yield, there are all kinds of things. So, the secret is how do we get this money into infrastructure space? And all of us know what to do. The thing to do is de-risking, especially early stages. Before I left the Bank, we set up a special fund to do that, called the Bank of National Institute. So, early stage de-risking, not easy but can be done.

I would love to see more aid money being used to doing de-risking than envelope -- every four years like they do in IDA. Can we get a bit of IDA money to do de-risking? So the private sector can actually invest in infrastructure? How do we make sure that what happened on telecoms in the 1990s after deregulation, when private capital was flowing massively in IT? How to make sure this happens in energy; in other words, in airports?

It's not going to happen if there's any stage de-risking. So I think this is where the conversation should be. I tried, I didn't succeed, to say that at every replenishment, if you give us, I don't know, $4 billion; can use $1 billion just to do de-risking, and then succeed. So I hope that we can do more things to get on with this area, because it is the only way we can attract private capital, into infrastructure.

MR. McARTHUR: Jo Marie, your thoughts?

MS. GRIESGRABER: I will pass --

MR. McARTHUR: You can pass on that one if you want.

MS. GRIESGRABER: I will pass on this one. I neither know low-income, nor do I know anything about infrastructure.

MR. SY: You are too modest.

MS. GRIESGRABER: (Laughter) No. I'm not.

MR. SY: But I mean, we've worked a bit on infrastructure here with some colleagues like Jeff Gutman, and talked a lot to investors, participants, people from development banks, and so on. And just two things; one is that I agree with Donald that the idea is that, like, how do you basically make sure that the money that is out there find its way to this huge, neat study that are out there.

And so, although at the beginning I wasn't convinced for some reason, but every time I talk to these private investors, this whole issue of project preparation and the de-risking, is really key. And I didn't know that, but apparently you can make money, just working on project preparation. I mean, it's a line of business.

MS. GRIESGRABER: Oh, yes.

MR. SY: And you know that so, you know, it's a line of business, and so the African Development Bank has set up this Africa 50, even here in the U.S. there is an agency, you know, now I have to remember the name, but there is an agency whose role is really to work on projects preparation, and facilitate, and work on this de-risking. So, really more money, more is needed into this project preparation issue.

The other thing is, we looked a bit at how to attract institutional investors, you know, you have this trillions of dollars in pension fund money, and sovereign wealth fund money, and so on. And then when we talk to them, and so on, like I remember talk to this Swedish Pension Fund manager, who was like, we want size, we want simplicity, and we want standardization. You know, if not, we are not putting money in it.

And then, so if you look at the infrastructure project, really, it seems that you have to separate the greenfield projects from the brownfield projects. When projects are new these are greenfield projects, it's very hard to attract institutional investors, except maybe a few that know how to do it, like some pension -- Canadian Pension Fund, and some countries whose pension funds have expertise on that.

But in general, you know, you need development banks, you need the governments, and so on, to put money in the project preparation, and in the greenfield project.

Now once you have these greenfield projects becoming brown, and you have these brownfield projects, and then you can attract the institutional investors who would love to -- So, for example, I discovered that the New York Pension Fund, one of the New York pension funds, has in its asset allocation, in principle, 3 percent that it wants to allocate to Africa. Why 3 percent, they did a calculation in world GDP, and so on.

So they are ready, but where do they want to put the money? Tt would brownfield, toll road, and so on. And I think there's an initiative going on to encourage that, it will take them to Africa, and so on. But the simple question I think it's project preparation, project preparation, project preparation, and separate greenfield from brownfield, and have government money, aid money, and so on in the greenfield.

MR. McARTHUR: Thanks Amadou. And Sean, do you have any thoughts on this?

MR. NOLAN: I'm actually -- I will not repeat what Amadou said, I would just say I echo what he said. I think that the points he made are very important. I actually just take it from the narrow angle of the IMF, which is, I'd say they are the two angles that I think we pay a lot of attention to, are firstly as the sort of debt versus growth investment tradeoff.

We are trying to sharpen our analytical tools. Getting that right is really important, getting it wrong, as you know, you end up with severe debt burdens and the ensuing macroeconomic and social stress that stems from that.

So, that’s one area. And on the second, is the question of actually, within the public sector, managing investment effectively. Issues like public procurement, like public investment management, project management and so forth. These are areas that we are devoting more resources to, because there are areas with some expertise, and we think actually, particularly, an area where we can make a significant contribution.

That whole process of unlocking a pile of money in the North, and the pile of opportunities, in the South, so to speak, is moving, it's moving slowly, because actually it's analytically hard, and the market, kind of market reforms and the tradeoffs, say, between prudential considerations, and facilitating investment in the South.

All of these are difficult issues that have been pushed, and I think -- One interesting point, I just wanted to add on to Donald's point, where he emphasized the desirability of more aid being used for the purposes of promoting or leveraging additional investment. That, as he mentioned is bank of a national setting happening, and IDA-18 replenishment includes a significant amount of money for that.

It will raise some interesting tensions with civil society actually, because you'll be seeing public money that is leveraging private investment, and people will be saying: why are you doing this? And is it a corporate subsidy, et cetera? So this is going to be an interesting marketing challenge in terms of -- and I don't mean marketing in the light-hearted sense, I mean serious sense, like conversation about why this is a good idea and that will be a challenge I think.

MS. GRIESGRABER: I would say for the CSOs that the IFCs set a bad precedent; that private money goes after, you know, mega condominiums or, you know, casinos. That doesn’t set a good example. It does not reduce poverty the way it's been, you know, evidenced. The other thing in terms of pension funds, private pension funds in the U.S., a requirement for continued liquidity, high need for immediate short-term liquidity, and they must take the highest returns based on state laws. So, it's complicated within the U.S. anyway.

MR. McARTHUR: You know, it reminds me of, on this point of de-risking, Homi Kharas, a colleague here, and I did a little paper, talking about this, a couple years ago, where it looked at even MIGA, whose job is to de-risk in many ways. And at the time the MIGA contracts were worth about a billion a year, I think it's now up about 3 billion, which is better but, you know, compared to trillions, extremely small, and I think the -- you know, it's not blaming MIGA, it's asking a question of why is this, because even now I think they had only had -- it was single-digits, the number of calls they'd had, and I think it was six in their history.

So, it wasn’t really providing insurance in the real sense, it was an adverse selection problem, and probably in what they were insuring. And so this -- And I was talking to a pension fund CEO at one point who said, you know, what they want to see is intergenerational risk insurance. Because they’ve seen all -- say on clean energy, they’ve seen all these policy shifts, and they want to be able to invest over not just the current generation, but even the children's generations, but the grandchildren's generation to really looking at long-term horizons. So, it's a big question how a multilateral system can incentivize that.

We just have a couple minutes for questions, so I just want to see if there any quick questions that anyone would like to add. Maybe we will take a couple. I'm going to ask you to be very brief, and make sure it ends with a question mark. So, we have this hand first, and the second in the back, and then the third up here. So, if you can be brief, please.

SPEAKER: (Inaudible) -- and started infrastructure in the early '70s in the first Capital Development Office that Congress mandated. I'm delighted to hear that it's back, or seems to be. My question is, are there institutions in the low-income countries actually capable of doing what you say that you want them to do? And then just take the example you mentioned, which the Ethiopia-Djibouti railroad which the Chinese built, and just opened. Who is going to benefit, and why? And are you confident that, you know, the kind of policies are excellent, and the need for the infrastructure are excellent, have receptivity within the governments you are working with?

MR. McARTHUR: All right. Thank you. So, park that one, add it to -- we'll take three quickly. So, one in the back please, the woman in the back, yes? Thank you. And, then, maybe, Amy, if you can bring the mic up, to the woman in the front for the final. Please? If you can introduce yourself?

SPEAKER: My name is Susanna. I was wondering if you could talk a little bit more about the Nigeria example that you gave. You spoke about the importance of the private sector in investment, as well as the importance of infrastructure. But in a situation like Nigeria where there's rampant corruption in both the private and public sector, how does that play into the whole, like, crucial next steps in, like, private investment, and in like infrastructure development? How does corruption play in -- How does corruption play in actually achieving those --

MR. McARTHUR: How does corruption get addressed in the Nigerian context? And up front, please.

SPEAKER: My name is Katherine. And mine is kind of like directed towards what you mentioned, Dr. Kaberuka, about like the MDGs were premised on, like, you know, rich countries giving a lot of money to poorer countries, but the SDGs are premised on like having their -- like the LDCs -- LIDCs are kind of like owning up to this, you know, like development themselves. So, do you think that there is an understanding within, like, the LIDCs, that it's kind of like their time now? Or, like, countries still living in the expectation that the West will come in and, like do it for us?

MR. McARTHUR: Thank you. Well, maybe we'll go in reverse order. I want to just go from right to left here; and sorry, but we have to be brief. But just any quick thoughts you have on these great questions that have come up?

MR. NOLAN: On the difficult questions on Nigeria, I'm going to pass that to the former president of the African Development Bank, who, undoubtedly his biggest clients --

MR. KABERUKA: The local (crosstalk) --

MR. NOLAN: -- (crosstalk) straight away. But just on the issue of government capacity, I think it's a very good question. I think that's what we are saying we are placing a lot of emphasis on providing assistance in those areas. You mentioned the Djibouti-Addis Railroad, which has been transformative. Is the cost-benefit analysis right? I don't know actually, I can't speak to that I'm sure, I'm sure that development bankers can speak to that question. But developing the capacity to do those kinds of assessments is really key. The white elephant model of infrastructure provision is not going to generate long-term returns. Let me pass that.

MR. McARTHUR: Amadou?

MR. SY: If I may, very quickly I know Donald has to catch a plane. So, on corruption, I would not answer on Nigeria, specifically, because this is a LIDC report, but we've just completed a report where we look at how governance indicators, including corruption, and corruption is the one that works the best, respond to different types of money -- of financing. So, basically, if you improve the fight against corruption, which type of money do you get the most?

And we find that basically, tax to GDP responds very well, much better actually than offering direct investment to improvement in fighting corruption. So, which brings us to this domestic revenue mobilization debate because that's the biggest share of the pie, the domestic taxes; and if that research is okay, and I believe there's a colleague here -- Miriama -- then you get a big bang domestically from fighting corruption.

MR. McARTHUR: Jo Marie?

MS. GRIESGRABER: Very quickly, corruption, I would love to shift from kleptocracy, even to illicit financial flows, which gives people fits because it's not illegal, it's just gray, and it's being nasty and evil in your heart, even if not by your lawyer or auditor. And I think that's the biggest rip-off going, and it's up to the developed countries, and we need transparency and beneficial ownership, if you want to work on that. The FACT Coalition in Washington, look it up, the FACT Coalition.

The other thing about fighting corruption and recognizing domestic responsibility, there is Tax Justice Africa, there's Tax Justice Nigeria, Tax Justice Latin America. It's all domestic and people know it and are claiming it.

MR. McARTHUR: Donald, final thoughts to you?

MR. KABERUKA: Okay. Let me go back to this conversation between the former prime minister of the U.K., and President Buhari of Nigeria. You've heard the story, haven't you? So, David Cameron says, (inaudible), that Nigeria is a super corrupt country. You would think that Buhari would be on the defensive. Buhari said, we are very corrupt, but the money is here, can we give that money back?

This is an element which I think the IMF can help enormously. G20 touches it, but complexities; it's still up there. So, Nigerians don't deny that their country has challenges, as many countries do, as Kazakhstan and Mongolia. But there have to be corporation to get the money back into the countries, and you know where the money is. That is point I wanted to make.

But the most important thing I want to say about Djibouti and Ethiopia, this report makes it very clearly, and at the end of the day, the challenge for low-income countries is to get jobs. Now, a piece of road, railway, is yet a means to an end, but the end is trade and transformation.

So, between Addis and Djibouti it was taking 10 days, now it will be taking 10 hours. Now, I have spoken to Chinese manufacturers, who are setting up shop in Addis, and they've told me they have a number of issues to go through, but logistics was the biggest problem for them, to make sure they can deliver goods on time.

So corporation between Djibouti and Ethiopia first of all, good for regional trade, brings down the cost for doing business, and number two, enables Ethiopia and Djibouti to be kind of bases for manufacturing and transformation, and job creation.

If you ask me who is the beneficiary? I think this is, everybody a winner. Is it white elephant? I disagree. Maybe the costing, I've not gone through it, but I think we need more of those kinds of projects now, to get into the cycle of manufacturing, so that we can create jobs, so that the next report you do not call us low-income countries, but will calls us, maybe, countries in transition.

So, I'm happy with the railway between Djibouti and Ethiopia, and I look forward to see more of those kinds of projects. Maybe the IMF can help in the costing and make sure that it's well done. But these are not white elephants.

MR. McARTHUR: Great! Well, what a terrific panel. What a terrific presentation. Please join me thanking Dr. Zhang, and all of our panelists for a (inaudible). (Applause)

I'd just like to add. We have had a couple of questions come in, and there's a Nathan Copeland somewhere in the audience asking a few questions about what the IMF would specifically on some of the PPPs and foreign currency thing, so even grab Sean at the end on that.

But I would also just like to underscore. This isn't your grandmother's IMF, if you will, in the sense of the leadership on the SDGs, on these broader questions, and it's a testament to the institutional leadership to take these on. Also, I would say that, very sincerely, the pressure against paying attention to low-income countries around the world, are quite profound right now. So, flagship report like that really ensures ongoing debate, healthy conversations about what next is so crucial.

So, really, kudos to the Fund for doing this exercise altogether. And I would, you know, I really would just love if can pushing on the structural adjustments, the structural transformation theme, so that these are seen as dynamic situations and a transforming agenda that we are all working on together.

So thank you, all. And thanks again, for a terrific discussion. (Applause)

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

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