

MASOOD AHMED:

Good morning to everyone here. Good afternoon, good evening, and I say that particularly because I know that there are literally few hundred, 1500 people that have signed up to watch this online and some of them will be doing that now. It is a great pleasure and a privilege for us to welcome back the president of the world Bank Group, Ajay Banga, to CGD. Ajay, very happy and delighted that you're here.

AJAY BANGA:

Thank you.

MASOOD AHMED:

You were here in April and you talked at that time before you had taken over your role about your vision and the priorities that you saw. And then September, many of us watched a speech that you gave and a talk that you had at CFR, which was sort of like a three-month into the role. Then you talked to the annual meetings is like a report back to governors. Now it's eight months into the role. And I think I'd like to get from you, to get us started on this conversation is really looking back on eight months, what has gone better than you'd anticipated. And where do you think that there are more headwinds? It's a harder track than you had thought at the beginning.

AJAY BANGA:

Yeah, but first of all, thanks for having me. And the one interesting thing is the level of interest people have in what I'm doing is surprising. That's kind of, you know, everybody wants to know whether I'm waking up in the morning and sleeping well and where I'm traveling and what I think every week, every day, and so on. And life isn't like that, but never mind. So, on a more serious note, I think what's gone off so far into the system and it's now all wet paint. So please don't take what I'm saying as done. This is the beginning of a journey. We've got a new vision and mission. Important, because adding livable planet to our eradication of poverty has enabled the entire bank to widen the aperture by which it looks at issues, and allows them to recognize the interconnected nature of the challenges we are facing, and allows us all to speak and act, I think with more depth and intelligence on those topics. That's kind of one big thing. It took work with the governors to get people to align, as you can imagine, across the developed world and the global South, to begin to believe that livable planet is something they could identify with.

To me, that includes pandemics, climate change, food insecurity, fragility, and conflict, the kinds of things that matter for quality of life on our daily basis. The second thing that got done was to create a clear focus on women and young people. And you would be surprised or you won't be. You know, you're a pro in this space, I wasn't, to find how many people thought that by focusing on women and young people, I was going to ignore other

disadvantaged people. And it took me a little while to understand what their fear was. I tried to explain to them that women are not a minority. So it's about time that it became a very specific focus for the bank. It's in our gender strategy for years, but by calling it out, I am trying to make the point that in the developed world itself, women have a difficult opportunity to get a fair plank to stand on. You only have to look at the share of venture capital that goes to female-founded businesses in the United States. Let's not talk about other places, and you realize that this is a matter of some focus.

If you take that into the developing world and you feel and realize that half the population cannot be productively, therefore, used and employed in the world, if you don't give them a chance to clean air, clean water, education, and health, and then the chance for a job and funding, then I think you're never gonna get a productive enough system. So getting that in was important. Getting youth in was easier because everybody knows there's a lot of young people in the global South, and the only thing I was trying to say was that they need to have both a good quality of life when they're growing up, but also the opportunity for a productive job when they are of age. Otherwise, this demographic dividend becomes a problem. There's a put a little accent on that point. There's a billion people coming through that pipe in the next ten years in the global South, a large number of them in Africa currently, you know, who's depending what estimates you believe, there's going to be 300 to 350 million jobs being generated.

So that's a lot of people who don't have right now an opportunity for a role if you're not careful. Now, forecasts are not destiny. So there is a chance to change something there but that's a really big challenge. I think that getting that bedded down, getting it ingrained into all our stakeholders is quite important. That went well. The second part that we're working on is the whole part about capital adequacy. And when I arrived, there was a great deal of criticism that was being leveled, saying that we're not taking that capital adequacy program with adequate seriousness. I can't understand what that was about but at the end of the day, we have launched a hybrid capital instrument, which is not just the hybrid capital that shareholders can provide, but also that the private sector can provide, although that comes at a higher cost than what you would get from your shareholders. And the second part of that hybrid capital is to be able to see if we can use SDRS but the bank, the board approved the use of stars.

Personally, I see lots of challenges in using the SDRS directly into a multilateral bank. I think you could use it indirectly through the IMF in a better way than you could just given the ECB's charter and the like clearly says you can't use these. So there's a whole lot of challenges around it, but it's a pool of money and therefore when there's a pool of money, it's like bees going to honey, right? There's a need to figure out a way to use it well. And then

we've done work on the portfolio guarantee front. We've done work on launching the old Global Public Goods Fund has been opened up to donations from everybody, and that's now called the Livable Planet Fund. I think that work is all wet paint, but the instruments are there. The work's been done to get going. That's where we are. The third part that's going on is becoming a better partner to everybody else. To me, that's kind of important. And with the Multilateral Development Banks, we've got now a focus place for the Inter-American Development Bank was the first one.

We agreed on three specific things we'd work on together. People are working on 20 things on the ground, but three things that Ellen and I will track. And the first one is raising finance for the Amazon. The second one is climate and challenges in the Caribbean. And we're doing a bunch of things on that as an institution, but also involving him. And the third is digitizing girls' access to education across Latin America. In the same way I've done with the Islamic Development Bank. I'm in the process of signing something like that with the Asian Development Bank so that we can get focused areas that are relevant to the region where these banks operate. There's a lot of other work to be done with the MDBs on standards, and hopefully, if you get time, we'll talk to that, that this is all stuff that's happening and there's real progress at Cop 28 on what we're doing against climate. And hopefully, you'll ask me about that but there's a series of things in that, that we announced. There's what is not going well.

What is harder to me is some of the stuff that comes with the model of governance. That is evolved for good reason over time, but its end consequences are challenging. This is taxpayer money. And therefore, you know, when you get taxpayer money and you leverage it in a bond market, countries are going to want to be involved with how that taxpayer money is being used. The problem with that is it becomes fragmented. That's a real pain. Because it takes away skill. So if you look at IDA, which to me is mission critical for the bank at the end of the day, not just for our clients, but for us as well. IDA now has over 1100 different rules that have got put in by IDA deputies over the years. It used to be 150, 20 years ago. So we've ballooned into this thing where everything goes through a sieve to fit into these rules, and I think that's kind of inappropriate. Now. It feels like we've probably crossed the rubicon somewhere. I mean, you know, I don't know if 500 is better than 1100, but 150 is really nice.

It allows you to start focusing and getting work done at scale. So to me, some of those are more challenging than I had originally anticipated when coming in. Even when I came here in April or May last year, I didn't yet know about this issue of the rules on IDA. It hadn't hit me. It really hit me before I went to Zanzibar for the Mid-term review, and I kind of was talking to the folks at IDA and somewhere one guy mentioned 1100 rule. What are these rules? And then I learned how complicated each even the countries have become pros at

trying to find ways to get money funded from different windows. We're all wasting time on this stuff, and I think we just need to find a way to thread the needle between the importance of shareholder tax money being used and the unintended consequence of fragmentation at the other end.

MASOOD AHMED:

Good. So there's a lot of stuff there already to get us going. Maybe drill down a little bit into what you were talking about but I think of as sort of the better bank for the client because when you were here in April, you talked about fixing the plumbing as a priority. And of course, the question a lot of people are saying, well, what will this translate into in terms of if you're a client, if you're a borrowing country? I know you've talked about shortening the time it takes to get there. You've talked about maybe having longer loan maturities. Practically, when and how will people see the benefits of this from a client point of view? Are they seeing it already?

AJAY BANGA:

So, I mean, longer loan maturities are not part of better bank. This is part of doing business the right way and getting people a chance to get concessional financing done differently, right? But the time to market is definitely one part of it. The other part is the partnerships with others, private sector, multilateral banks, and others, and there's a third part, which is capacity building in the countries. We'll talk about that in a minute. The time to market (UNKNOWN) is that it takes 19 months on the average, from the time a project starts getting discussed to the time it gets approved by the board, and then it can take between 9 and 10 months after that to get the first dollar out the door. That second part is because the countries to whom these projects are going also have to get their own stuff done, parliamentary approvals, and so on. Congressional approvals, you know, we're living in the dream world of congressional approvals these days. So it works in the emerging markets, too.

They're not exactly better off than what we are currently dealing with. So that second part, those 9 or 10 months, there's some things you can improve there by helping to build capacity in these countries for creating bankable projects and then actually getting them implemented. And then our knowledge bank hopefully can be useful but that's part of the change process ...that has to be driven. The 19 months is a little bit more in our control, at least parts of it. When you break those first 19 months down, some of it is really important and needs work to be done. There's ESF approvals to be done, but can you do those in a risk-based basis? Meaning does a \$3 million school in Nepal have to go through the same ESF process as a \$2.5 billion hydroelectric dam in Ghana? And I would argue anybody who's ever worked would tell you that risk-based things makes sense to do. Whether you're

in government or you're in the private sector or you work in an NGO, everybody applies risk-based frameworks, the World Bank doesn't, which is shocking.

And now that we're beginning to put it in place, a couple of hundred projects already have benefited from some of that. The idea is to be very careful not to reduce your standard. The trick is to find a way to keep the standard but apply a risk lens to it. Now, this is not rocket science, it can be done. And so we're working on that. The second piece is who all need to approve what? If you actually get back into the policy matrices and you look at who needs to approve what, fewer numbers of people need to be involved directly approving projects at different stages. But because over time you get the socialization of risk inside an institution and furthermore, if you're not involved in the signing process, every Tom, Dick and Harry want to be involved with approving something. And my point is like, why the hell are you involved? Which part of this has your name enrolled in it? And this is an issue I had in my prior firm. And I just I still remember this funny story, I discovered one day to get approval for a new effort at Mastercard, some poor guy had to get 99 signatures and he, of course, complained about it in a big meeting when I was beating them up on time.

So then I started going into why are those 99 signatures required. Turns out he needed six signatures. The other 93 were hanger-ons. And so if it can happen in the private sector, it can happen to us, and it has. And so one of the things we're trying to do - and Anna is leading this for us, this whole effort - is to really go through that with a fine tooth comb and make sure we don't throw the wood out with the trees but reduce this. And so a third element of that is every project goes to the board for approval. Again, the \$3 million school goes, so does the 2.5 billion hydroelectric dam. I would argue you could do that in a little more creative way by getting programs approved. So we've announced that we're gonna get 100 million people in West Africa connected to electricity by 2030. I believe that electricity is a human right, and 600 million people in Africa don't have electricity. So to me, it's priority number one in Africa, get them connected. Without that, no health, no education, no jobs, nothing's gonna happen.

So we have to get them connected. So 100 billion in West Africa, I want to do 100 million in East Africa. That will be 200 by 2030, not 2050. So if you can do 200 million by 2030, then I think we change the dialogue on how to get this done. This requires IDA money, government money, private sector money. But if now the board approves that, can they approve tranches as compared to every single project in every single country will come back to them? We do that. This will be 2050. It's a self-fulfilling prophecy. Even though in any one project, the approval process for the board is not the principal amount of the 19 months. But when you add that up into many projects, this is a huge burden on management and systems and processes. And so like this, there's a ton of work to be done to knock that 19

months down. And by the end of next year, I wanna get it down to 12. I have no idea if I'll get it to 12 'cause this is not a 'it's like that'. I didn't exactly pick 12 scientifically. I just said it sounds better than 19, let's go there.

And if I get to 14, I'll still be happy and then I'll try and find a way to get it to 10. But you have to do this in an ambitious enough way, otherwise we won't change this.

SPEAKER:

So actually, if I could just come back on one point that you raised, both in terms of the streamlining of the project approval process at the board so that the board is involved more directly in the larger, more complex projects, the 1,100 rules of IDA, these are all dimensions of shareholders wanting to exercise micro controls over the operations of the institution. And I'm sure you've raised these issues now with all the shareholders in the board and in capitals, what's your sense of the appetite to actually tackle these things and bring the 1,100 down to some number, bring the projects that are under a certain amount - straightforward, repeater projects - to be done and approved in a more streamlined way? Are you feeling that you can get some traction on this right now?

AJAY BANGA:

I think more traction on the project approval system and delegation, whether it's repeatable projects, which are what you just said or whether it's program approvals, which is what I was referring to, those kinds of rule-based methods to create a quicker process of delegation, yes, that is there. Just remember, that's not the only issue in the 19 months. In fact, it's a smaller part of the issue than some of the others but it's a pain in the system. And it ends up then becoming that for every project, country managers and TTLs are flying into DC to go talk to 25 executive directors and convince each of them that it's OK. And so that's the process stuff that needs to change. And everybody knows this. The sad part is everybody knows it all, not the heads when they're talking to me. But if they all knew it, why did nobody do anything about it is what surprises me. And that's all I'm trying to do is shine a light on it and then be stubborn about it. I think we're making progress on that one.

I think the 1,100 rules on IDA, I only just made a racket about it in Zanzibar, and I got a lot of people in the audience nodding. But clearly, after I left, a lot of people also did that (SHAKES HEAD). So there's that (NODDS), and there's that (SHAKES HEAD). And unless you're Indian when that and that (SHAKES HEAD) means yes (LAUGHTER), for everybody else, there's a very specific that versus that. And I don't know how we'll get to that to be completely honest. I think getting IDA to be both sized correctly but also be easier and quicker to comprehend and work with is an important part of the next 4 or 5 years. So we'll see, I'm gonna try.

SPEAKER:

Good, keep pushing it. And as you say, sunlight is the great disinfectant. So just putting the spotlight on it gets the thing started.

AJAY BANGA:

I can't remember that line - sunlight is a great disinfectant.

SPEAKER:

So let's talk a little bit about the question of trade off. You said one of the big achievements the first few months has been to introduce this notion that the aperture of the bank has to be broader, look at livability of the planet, as well as looking at the agenda that the bank was pursuing before. A lot of people are then raising questions about trade offs, what does this mean? You said it, COP, that you wanted to raise the share of climate projects to 45% for the bank from, I think, 42 or something now. And the question people, well, what are you gonna give up? How is this gonna fit in? You've got these global challenges, you've got these eight priority programs, how do they fit in with country priorities? Is the bank now moving away from country priorities? How do you respond to that set of concerns that are out there?

AJAY BANGA:

As I said, everybody is very interested in everything I do. And this everything is always, oh my God, it's gonna stop doing something else. The whole issue of intertwined challenges means that you don't have a choice about dealing with them together. So when you talk 45% of our financing will go to climate by 2025, why I said that was my predecessor had said we would get to 35% by 2025. The reality is that by the time I joined, they were already past 35, so they'd done better than they had originally thought they would get to. Now, I don't like all the way some of that is measured because the MDBs have agreed on a way to measure what's the climate project, and we're working our way through getting that to be something I can feel good about and we're gonna get there. But let's assume it's 90% directionally in the right direction. So why should I stay with 35 and then pretend that I did better than what the task was? That was the idea of raising the ambition to 45. But I also said, half to adaptation, half to mitigation.

And that's because when people get worried about money being put into climate, they're all coming from the Western world's view of climate equal to energy emissions. That is such a pedantic way of thinking and it's such a crazy way of thinking. In the global South, climate is equal to no water for irrigation, food insecurity, soil degradation, biodiversity loss, forestry cover being taken out, climate challenges in the Caribbean schools and hospitals that cannot act as climate shelters because they weren't built to absorb that. So it beats me as to why this basic misunderstanding has crept in with almost like two ships crossing each

other in the middle of the night with foghorns blaring, one is a cause and one is an effect. And if you need to get with the program, this is not an either-or. And I think that is very important. So when I talk about adaptation money, it's actually going into the same things that fit the global challenges. It's going to food, it's going to health, it's going to... You see what I mean?

And so talking about climate-resistant varieties of seeds and how to manage water and conserve water, and how to help Kenya manage its soil degradation issue, has everything to do with the global challenges. It also has to do with adaptation. And so I think we really need to understand that part of it. And that to me is critical. The second part that's critical, if you look at what we announced in COP around climate, yes, I did say 45% and half-half mitigation adaptation. And by the way, I don't know if I'll get to half-half, these are just random numbers I pulled out from like that because I wanted the Global South do not feel that I was ignoring their desires and concerns. At the same time, I recognize that if you don't change and bend the curve on future growth to be less energy-intensive with emissions, we're all in trouble. So I get that. And all I said by half-half was to say I get both. If I end up at 60, 40, I'll take it. If I end up at 55, 45, I'll take it. But the idea is to say this is where our heads are going.

I'm sure somebody will now say you're at 48.2%, muck like that. And that's the problem with this whole thing. If it is so accurate that I could predict 50%, man, I'd be sitting and doing other stuff. So it's shocking to me how naive some of these discussions are. There's nothing wrong with saying are you focused on adaptation as well as mitigation or not? That is a terrific question and one that I must answer to. But whether it becomes 48.2 or 51.4, I don't really care. And the second part we announced was the 100 million Africans being connected to electricity, which I want to get to 200 million by 2030. The third part we talked about is methane. Methane is 80 times more dangerous than carbon dioxide. It gets 2% of climate financing, 2%. When something that's 80 times more dangerous gets 2% of financing, something's not right. And so in addition to flaring and the leaks in pipelines, which is a real big issue with methane, there is rice paddy cultivation, waste management, agricultural and dairy methane, things the bank knows and has run for years, which you know well, getting those to scale is what I've committed to doing in these coming 18 months.

And then try and fight methane in the atmosphere. We talked about getting the climate-resistant debt clauses for the Caribbeans going, and all other small states. And now, as you know, we've announced for all countries, not just small states help with dealing with catastrophes. And then talked about getting a voluntary carbon market focus. I know it's a difficult topic, but if we don't get into it, nobody will. On forestry, forestry projects where we

are directly involved, not somebody else's forestry projects. So we are involved and we can do an environmental integrity check and a social integrity check. Environmental meaning in a jurisdiction that we are allowed to audit around the project and ours, we can ensure that trees are not being cut here and planted here. Social integrity, meaning the money goes to the community and not the government, only. So that when you turn your back, they don't cut the trees down because they still need the money. That basic logic has to be built in.

So we're gonna try and work on that. And so those are the five things, a lot of them are interconnected to these trade-offs that you asked about.

SPEAKER:

In fact, you could argue that adaptation is just doing development well in light of the impact of climate change. So, as you say, if you build a school that was designed for 35 degrees Celsius and now it's gonna be 45 degrees summers, if you're not building that in, you can call it an adaptation. I just call it sensible development.

AJAY BANGA:

Roads that don't get washed away every time there's a rainwater flooding deluge. How do businesses get their goods to market? farmers get their produce to market if roads keep getting washed away? These are all. The fact that somehow you can segregate poverty eradication and sharing of prosperity from worrying about pandemics and climate change and food insecurity and refugees and fragility and conflict, I don't quite buy that argument. That's the issue.

SPEAKER:

I'm conscious of the time but I do want us to talk about two more related questions, 'cause in a way, when people talk about trade-offs, trade-offs become easier if the pie is growing and trade-offs become easier if you can also mobilize other people's money. So let's talk a bit about other people's money, private sector money.

AJAY BANGA:

Other people's money is always nice (LAUGHTER).

SPEAKER:

The trouble with other people's money, in this case, private sector money, is that we have a history of anticipating that we're gonna mobilize a lot more other people's money than we actually do in practice. And today also, I think the last numbers that I saw were the MDBs together and mobilize 60-odd billion of private money directly or indirectly. And 40% or more than 40% actually was from the bank group. So now you created this private sector lab, CEOs have come together to advise you're trying to do stuff to bring the guarantee function together so that we can do more on guarantees from the bank group, you can

supercharge MIGA, but I try to get a sense from you of are you worried that we are still over optimistic in terms of how much money the private sector will provide for all of this? Are you feeling this is gonna take us into the tens of billions? We're talking about hundreds of billions, where is all this going in your mind?

AJAY BANGA:

So just to dial back for a second, I think the idea that you can wish the private sector to bring in its balance sheet and people and innovation into these tasks is not a good idea. You cannot wish it in. And by speaking to it in governmental meetings, you cannot wish it in. What's coming very clearly from these private sector labs, CEOs, but also CEOs outside the lab whom we speak to, is that there are three or four principal hurdles. So for a minute, let's take just renewable energy. Let's just focus on the one thing... And in renewable energy, solar and wind now have a per unit cost that is cheaper than fossil fuel. They may have higher capital costs up front for connectivity and like, they may have longer gestation periods therefore, but when they do start producing very quickly, because of the way that technology and scale has developed in these two areas, the per unit cost falls off and the fossil fuel chart goes the other way. So if that be the case in general, if I had my own life, if I was a private sector CEO with a clarity of this, my spreadsheet kind of begins to make sense.

So that should then lead to a conclusion that people should be breaking the doors down in Indonesia to construct, you know, everything you ever wanted to see. Why is that not happening? It's happening, but not enough. Why is that? There are three principal causes in that. The first one is they need regulatory policy clarity. And a lot of these countries do not provide that. Let's say the private sector would like ten items clarified. Even if you got five or six done, you would get people coming in. And I give the example of India in this. Prime Minister Modi in his first term, just put a statement out there saying, I'm going to get to 30% of my energy capacity to be renewable by 2030. It is not a scientific number. It is a number to put a pin on the wall and make people run at it. And then he announced a series of policy changes to help lend credibility to that idea. He didn't do everything the private sector wanted, just couldn't. He's got his own trade offs to make, but he made some of them.

Today, India has 42% of installed capacity from renewables already, and it's not 2030, but its generation is not 42%. Its generation is in the teens because they haven't finished connecting the grids. They haven't finished connecting the technology that's required to slip back and forth from baseload to solar and wind when it's available, you know, all that stuff, all the technical stuff that goes into making this possible. But he's got five or six years to go, so he'll probably get to 30. That's what I think will happen. In fact, Mumbai could well be the first city operating basically on renewable energy by 2030, which is interesting. Now

what does that mean? India is not perfect to invest in. I'm not claiming that. It's challenging, but there's progress. We need that kind of clarity in the top 10, 12 middle income countries where the growth rate of emissions from energy will otherwise surpass the work that's going on in the developed world, finally, to reduce energy consumption from heavy emission sources, and that chart is not a good chart if we don't change that curve.

So we need to focus on that, trying to focus on the smaller African countries to make them go renewable is a laudable cause, but it won't change where we are headed for 2050 if we don't work on the larger middle income countries. The second part of this is beyond regulatory, and there we can help, by the way, because IFC is talking to the private sector. If they were to be better capable of leveraging IBRD and IDA, who have all the influence with the government along with the IMF, then in theory, we should be able to help create the right regulatory policy, like the Bank did in India when this solar energy and renewable energy claim was made by the Indian government. The bank was deeply involved in helping construct regulatory policy there for that purpose. Second big task is guarantees. Even if you get all this political risk guarantees, not what you need. MIGA is \$6.8 billion worth of guarantees. I've said we want to get to 20 by 2030. It's troubling. That's a starting point. Hopefully we'll get there earlier.

It's not hundreds of billions. You don't need hundreds of billions because the guarantees that you need are a proportion of the total project cost. But 20 billion would be a great number. To get that done, we've got a series of things to do. We fortunately have capital in MIGA to get to 20. Once we get to 20, we'll have to start worrying about incremental capital. But that would be a nice problem to have. So from here to there, the challenges are, you know, we're putting together all the guarantee shops in the bank. They were in different parts of the world Bank, in IFC and IBRD and in, you know, we're trying to bring them together. As you can imagine, that's an interesting exercise. So that's getting done. And then we're trying to create a simple set of cafeteria menu style guarantees that will be available with transparent pricing, for which you have to understand your risk pricing appetite, which is getting done. And then we've got to train the people in the field to be able to sell the full range.

So that it becomes easier to do that, that's all the hard work. This is not going to get done in three months, but we're going to put the shop together by June, July, start creating these training programs, and I'm hoping that sometime over the next six, eight, ten months, you'll begin to see these things being easier to deal with. Today if you're a client country, you need two guarantees, one which IFC has, one which IBRD has. You've got to go through two processes. I want to make that one and reduce the time to get it done by creating a single back office. That's kind of what we are doing.

MASOOD AHMED:

Right.

AJAY BANGA:

The front office and the booking of the risk will be in the correct balance sheets. It's just putting the back office together, stuff that shouldn't be that hard to do, but it's interesting to do it.

MASOOD AHMED:

Is the thing that shouldn't be the hard to do that often turn out to be the toughest to get done.

AJAY BANGA:

No, I just think, to be completely honest... Again, look, these institutions have different boards. There's the same shareholders, but there are different people and they all create their own rules. So this all comes down to the unintended consequences of well-intended actions. And all I'm trying to do is to work on those unintended consequences and not lose sight of the intentions of shareholders who deserve to be paid attention to. But not for the wrong reason. And that's the work that needs to happen. That's hard work. But if you're willing to take a few, you know, insults along the way from everybody, it kind of is possible to do. And that's what I'm trying to do. So that's the second piece. The third one is foreign exchange risk. So if you're investing in euros and dollars and yen and you're going to get paid in Indonesian rupiah and Indian rupees and, you know, Brazilian riyal, that is a little challenging because those currencies don't have wide and deep enough hedging. You know, these are ten, 20 year projects to get a hedge, even on the Indian rupee, which is a developed, you know, relatively developed currency market, you don't get more than a three to four year hedge.

So you're basically exposed for the other. Now you've got to find a way to be creative on that. And we're working our way through some ideas with the private sector lab. One thing could be to have a risk sharing system by which the investor who's investing in India knows that on the average, the Indian rupee declines by 5 to 7% against the dollar over 30 years per year. And therefore, shouldn't you be willing to absorb 7 to 10% yourself as the investor? That's kind of your job. Then the government should take some part of it. And then the tail risk that nobody can deal with, we should absorb. So then what does that do to our risk appetite and how do we deal with it? And that's the kind of work that we're working our way through.

MASOOD AHMED:

So let me just ask you one question on risk appetite.

AJAY BANGA:

And by the way, all this is to tell you, please don't hold your breath that you're going to get \$100 billion of private sector investing next month. If that happens, it's not because of me. It's because they've decided to invest because they found projects they like. And we should be willing to take that, but it's not because of something (CROSSTALK)

MASOOD AHMED:

Don't take credit for it yet. So just to go back a bit to the risk appetite, because in some ways, one of the things that this will entail, as you said, is that the IFA is a World Bank group. In some ways, you will have to take a different risk appetite than it's had in the past. And do you think that... a lot of people say that there's a degree of risk aversion or avoidance in the system, you know, that the shareholders also are very keen for the institution to be out there doing mobilization of private capital and let's say IDA countries. But if there's a project goes wrong, then the appetite for that is very low. How do you see that? Do you worry about risk appetite?

AJAY BANGA:

Look, I think this thing of everybody telling the World Bank to take more risk is one of the bigger jokes that I've heard in my life. And the reason that that's a joke is if he actually booked that risk as a loss, you're going to have to replenish my capital so that I can remain Triple-A rated. Try getting a dollar of capital right now. So to pass the buck around is not a good way to solve a problem. This is like passing the parcel, and one day the music will stop and people are going to be left holding the parcel. So I don't have time for that kind of conversation. And I tell all the larger shareholders, please don't talk to me about risk unless you're willing to back up the capital that otherwise may need to be taken. Then of course, the conversation tends to evolve to a more thoughtful discussion, and it should be the more thoughtful discussion. So what's the issue with risk? That first example of foreign exchange. If we were to book an outsized loss in a country because of the velocity of change of foreign exchange, or the level of change that was way beyond anything anybody had anticipated, one way to solve for that is, rather than book the loss, is to extend that as a long term lend tenor loan to that country and help them fight their way out of it.

And, you know, we can do that. We're capable of doing that. There are ways to manage these things that don't result in catastrophe on the balance sheet. The second part of this is it is true that if a project goes wrong, the level of intense scrutiny that suddenly everybody tries to put into this is why people in the first place want to socialize every risk and get 99 signatures. This is, it's self-fulfilling prophecy. If you're going to shoot the messenger, nobody will want to be the messenger. They'll say, you deliver the message, I'm right behind you.

MASOOD AHMED:

Right?

AJAY BANGA:

And we, you know, that's what I meant about good intentions are leading to unintended consequences. That's one of those. I don't think anyone is doing this for bad reason. Everybody is trying to get the right thing done - shareholders, board members, employees. But the dynamic is not a favorable dynamic for taking a risk if you essentially are willing to hang anyone for an error. Like, I can bet on these voluntary carbon markets for forestry, I can bet we're going to make a mistake in some place, and I can bet I'm going to get criticized. You know, I don't need this job, so I'm willing to take that risk. But a lot of other people do need what they're doing, so I can't be disregarding of their motivations. It's unfair on them. And so I'm going to try and find a way to work my way through that. That's the challenge. So this risk thing is a chicken and egg issue. In the financial sense, it is the issue of radio bucket. Maybe we can find a way through that. In a human sense, it is how you approach the errors and mistakes that happen if every project in the World Bank was perfectly executed, I mean...

MASOOD AHMED:

You weren't doing the right projects.

AJAY BANGA:

Exactly. Or in any place, I'm picking on this institution because I'm here. You can pick on anything. If everything that the CGD did was perfectly done, you guys would be, you know, something else. You also make mistakes. I make mistakes. Everybody in this audience here have made a mistake. You're in the wrong room. You should be up above somewhere. But it's, so I don't understand this thing of risk. Risk is an inherent part of trying to find a way to maximize the risk reward arbitrage. It's an inherent part. If all we do is safe development, we will spend many years not figuring it out. Now, that doesn't mean we should be irresponsible. That doesn't mean we shouldn't react as management when we learn there's been a mistake, that doesn't mean we shouldn't learn from that for next time. But if all you do is, I had a colleague of mine at Citi once who said to me, what happens is every time an auditor comes in and does a review and you find three things, you create another three processes to manage those three.

And it's like putting wax on a floor, on a wood floor. It keeps building up. If you don't sandpaper it down, you will lose an inch of floor space over time. It's the same issue, and that's management's job to work at it. There's no passing of the buck here. I'm not blaming anyone, this is our job.

MASOOD AHMED:

So just I want to go to the last topic and then invite questions. It's really about bigger. If you talk, you just come back from the mid-term review of IDA, and you've said that we should aim for a larger, largest ever IDA this time around, replenishment. Of course, if you look at IDA, you know, it's been going, the headline number has increased every replenishment, but dollar contribution hasn't. It's flat. And it's really from financial engineering. Now with interest rates being higher, it's going to be harder to do the same kind of engineering. On the bank you have, on IBRD, you've said, you know, let's focus on getting what we can out of the system before we try to get more money. It's not easy environment in which to get capital. You said to Marrakesh that you'd be able to get maybe 157 billion through stretching the balance sheet, but also through this guarantees...

AJAY BANGA:

And hybrid capital.

MASOOD AHMED:

And hybrid capital. But of course, guarantees and hybrid capital, you can create the receptacles. But somebody's got to fill them and put the money in the air. And then there's an argument that says, you know, we can't afford to wait. We really need to be scaling up the organizations even as we're improving them. What's your sense of, looking at the political environment in which the bank operates, how do you think the most constructive way for approaching this issue?

AJAY BANGA:

So look, even if you give me another \$200 billion tomorrow, I'm not sure we would have projects to fund. So let's just be practical about this, a little bit. So I think we need to, as an organization, do two things at the same time. And all in the development community, I don't mean only the World Bank. We need to start building bankable projects capacity in these countries, do all that, while also hunting for more money to be put in, whether it's private sector money or hybrid capital or guarantees, or a general capital increase. I think these are two things to happen. The only reason why I say a better bank before a bigger bank is because if you're a shareholder who today all rich countries have fiscal pressures, there's all rich countries have an inward looking environment that has developed over time over the last five, seven, eight years, where people are beginning to question why a dollar goes elsewhere compared to being put to use inside their own country. This is happening in the developed world.

And so you have to give them the faith as shareholders to fight for you to say, I know that the money is being well used in this institution.

MASOOD AHMED:

Right.

AJAY BANGA:

So the criticisms that go into the development community of taking too long, of ineffective and development, not caring about climate and all that stuff needs to be tackled. And I'm of not being good partners with everyone. That's why I keep saying better bank before the bigger bank. But I also say, but I'm coming back for you for the bigger bank so they know I'm not going away. Now the question is when. So IDA is now, it's this year. It also a little tidbit. I was the first World Bank president to go to IDA mid-term review. Shocking, but true. IDA is the single most important thing in the World Bank, single most important. Because finally, the poorest countries are who we are here for. We have to start with them, and IDA is the only source for them of grants and deeply concessional financing. So it's really an important part of doing anything. And if you want to develop their private sectors, their own, I'm not talking about multinationals investing in, you know, Sudan, I'm talking about the Sudanese private sector trying to do work in Sudan.

How do you help them if you're not there for them? So there's a lot. IDA is really important to me. Next year, we come up to looking at the shareholding pattern of the IBRD. That's the year it's supposed to be looked at. There'll be work to be done. What is this all about finally? It's about the relative capital of different of countries in the system and how you get to better solutions. The IMF just went through their quota increase with that very thinking, and ended up doing the quota increase by not changing the current shareholding, but agreeing that the next one would have that. So they found some compromise to work it through. We're going to have to work our way through all that. That's the politics of it, the fiscal constraints and the shareholding. I think IDA will get a fair amount of support from the developed world. I'm hearing relatively good feedback from... I was in Japan and Korea, as I was telling you earlier, and I'm going back to Dubai next week along with Jordan and I, Saudi, the UK, Germany, France, the US are all talking about IDA being an important attribute of their overseas development assistance.

So I think we're in a relatively better place than I was thinking we might be, but we've got a lot of work to do between here and December to convert the conversation to reality. And I think that's going to be hard work, and I need all the help that any of you can give me because this is mission-critical. If we get to 30 billion instead of 24 billion, which is what the flat-lining of donor contributions has been, and you leverage it four times to one, which is what we've been doing, then you could, you know, 6 billion extra is \$25 billion extra available over the course of the next four to five years to put into these countries. That's real money and I would welcome that. That's kind of what I indicated in Zanzibar when I was

being asked what kind of number are you looking at. So, the second part of your question is what's the appetite to do this in different places, even though it's not the specific thing you asked, but I know it's in your mind and I think there the issue is I don't yet know.

That's for the IBRD capital increase. I don't yet know. But I will tell you this. If you talk to the United States government and you tell them, you give me a dollar of incremental capital to IBRD, and even if everybody else wants to keep their capital share the same, meaning they don't want the US to increase its share, then our share in security they'll all put in six bucks. So one will get to six will get to seven. Seven is leveraged six times at IBRD. That's 42. You show me one program in the United States government where \$1 becomes 42 and I will give you a personal medal. So therefore, if you do the math, this is money that can be best used in a way that cannot be used directly on any one-to-one trust fund or any one-to-one direct use of ODA. This is an interesting model that has got built by the genius of the people who created this institution many years ago and has now, over the years, through the expansion of the bond markets with enough bond market depth and width, has allowed itself to become what I really call this genius.

It is a brilliant model. And so I think that's an important attribute to keep reminding legislators and opinion leaders in all the developed world that this is leverageable money one for six. Yes, it's not directly attributable to your country. That part I understand. If all you're doing this is for political gain in some bilateral way, I get it. You should do that anyway. I'm not asking for all your money. I'm asking for a fair share of your money.

MASOOD AHMED:

And it's one to 42 for the US but it's over 100 for any European country.

AJAY BANGA:

Yes, yes. So I was just talking about the US because to me it's 17% of our capital and they have traditionally been the most generous of our shareholders.

MASOOD AHMED:

Alright. I want to get to the audience in the remaining few minutes we have. And I see lots of hands going up. I know we talked about doing one-for-one, but I think we're going to run out of time. Let's take two questions from here and then I'll do two from the people watching online as well. So I've got lady sitting over in the back there and then Eeshani over there, and then I will come to others. So, Lindsay, somebody's going to bring a microphone maybe to Eeshani first and then Lindsay after that. Yeah.

EESHANI KANDPAL:

Should I go then?

MASOOD AHMED:

Go ahead.

EESHANI KANDPAL:

OK. Thank you. I'm Eeshani Kandpal. I'm a senior fellow here at CGD. I lead a work program on women in leadership at the International Financial Institution, including yours. I think we'd agree broadly that transparency is a key dimension of building a better bank. One aspect of transparency then, well, might be gender equity within the institution. Things like equal pay for equal work, equal opportunities for career advancement. To this end, the IMF, the IFC, and the IDB all routinely publish public DNI reports, Diversity and Inclusion reports, that report staff statistics disaggregated by gender, but the World Bank does not. Now you are someone...

AJAY BANGA:

When you say World Bank, you mean IBRD/IDA. Because I don't think of the World Bank separate from the World Bank Group.

EESHANI KANDPAL:

Sure. Yes. The IBRD and IDA.

AJAY BANGA:

I'd love for you to do that too. If you say World Bank and IFC, we keep adding to the silos in the institution.

EESHANI KANDPAL:

So now you are someone who has had personally, in previous roles, a history of sort of progressive action on gender equality. Today you spoke very persuasively to open your remarks about the importance of women having equal opportunity in the workplace. So, what do you think? Do you have any goals about committing to gender equity within your staff and on reporting on progress towards such goals in a routine and public way?

AJAY BANGA:

So I actually didn't know that there's a report that's not published. This is news to me and I'll figure it out. I don't see a reason why we should hide something that's just fact. So that should be fixable. There's a much more interesting topic here, which is what do you do going forward? And to me, the idea of equal pay for equal work is kind of important. But even more important is creating a pipeline of women leaders that changes not only the equal pay for equal work, but changes the number of women at different levels of management in the institution so that the place becomes more representative of the genders. That, to me, is important. And I'm in the process of recruiting a new head of what's called people and culture. And one of the first tasks that I wrote into the note on hiring that

person, and they're coming through for the sets of interviews with me shortly, is their experience of doing this elsewhere and their willingness to dedicate themselves to me as a partner to help me do this.

So, what's the space? I'm around for five years. If I don't fix it for five years, then you can criticize me. Till then, try and be helpful.

MASOOD AHMED:

Great. OK, we've got one here.

LINDSAY COATES:

Good morning. I'm Lindsay Coates and I'm a nonresident fellow here and very proud of it. I'm very inspired by your...

AJAY BANGA:

What's a nonresident fellow?

LINDSAY COATES:

I don't have an office. God knows what else, and they don't pay me but I'm honored to be a nonresident fellow. Anyway, I'm very honored to be here in that capacity. My other capacity is working with civil society groups, both Asia, Africa, Europe, and here. And while I am very inspired by your commitment to IDA and love that you say it's mission-critical, something I hear from my circles of conversation is discussion of a jubilee effort, a debt forgiveness effort on a scale of what we had, you know, 20 some years ago. And I know that you are a bank and you must lend, but I am curious if there is a leadership role for the bank in that topic of debt relief, or how do you see it in the broader context?

AJAY BANGA:

So I think actually there's two issues. There's solvency and there's liquidity when you talk debt. And I think that's one thing that's getting lost in the conversation. We're all talking solvency. Be very careful of liquidity because there are countries that are currently not insolvent with debt but will have debt coming up for refinancing. And if we don't help them through that, particularly in global currencies which is where the IMF and us can be helpful, the IMF even more than us, then I think we will lead to more countries slipping into solvency issues if you're not careful. But put that aside for a minute. The lead of debt has to be the IMF because that's kind of what happens. I'm very tightly connected into it. We do a debt sustainability analysis together to ensure that there is transparency on what debt there is in that country. So, you know, during the G20 effort on this process, the real challenge has been to get that transparency. Unlike 20 years ago, when basically it was the Paris club that did this, we now have bilateral lending.

China is often quoted as one, but it's not the only one. India is a creditor in some cases. You know, other countries are creditors in other cases. And then there's the whole issue of private sector lenders, which have grown very large. So the Paris club is actually now down to 40% of that debt from being 80, 90% 20 years ago. So the transparency issue is critical and our teams on the IMF work very hard on creating that. We created a global sovereign debt roundtable where the private sector and the bilaterals are invited, not just the Paris Club crowd and that's how we're trying to work our way through these countries. Meanwhile, the four countries that went into the G20 framework, Ghana, Zambia, Chad, and Ethiopia, the only bank lending them any money 'lending' free is us. In these two years, we've given them \$12 billion, seven of which is Grant and the other five is deeply concessional. So, we've got multiple roles to play, help to work out the debt, but also give them lifelines of not expensive money.

And that's what we're trying to do, kind of find our way through this thicket of issues. The framework is working too slowly. I don't yet know that I can tell you it's going to work faster. It's got all these different interests at the table. And that's the challenge. What happened 20 years ago was the reconciliation of those interests with the right political leadership. This is not the bank's leadership because we can't fix it. And so there's a lot of conversations going on at the right levels about how to get past that situation. Let's take two, Paul and I've got this lady here and then come back.

PAUL CADARIO:

OK. Good morning. I'm Paul Cadario.

AJAY BANGA:

Nice to see you again.

PAUL CADARIO:

Retiree. Yes. And now at the University of Toronto. Thank you for bringing the energy and enthusiasm that we all look forward to a year ago when you were appointed so keep it up. Clearly...

AJAY BANGA:

I'm getting older, that's the only thing.

PAUL CADARIO:

Well, you're not grayer.

AJAY BANGA:

I'm now 64, so careful with that.

PAUL CADARIO:

You're good. You're good.

MASOOD AHMED:

That's young.

PAUL CADARIO:

Clearly, your ambitious agenda, well, the development community's ambitious agenda depends on trust and depends on integrity, particularly professional integrity. And it depends on transparency. That's something that tends to be obscured with 1100 rules for IDA and other accountability problems with the bank. Sadly, there have been two matters that have come to light in the last month or actually since before, I think one of them before Thanksgiving related to the integrity of the legal function. The attempted cover-up of child sexual abuse in Kenya under an IFC project, the involvement of the general counsel, and lately a tribunal case where the employment rights of the Chief Privacy officer were violated and resulting in a payment to her of around \$1 million. I'm wondering, do you see these integrity problems as an obstacle to what you want to do?

AJAY BANGA:

So let me answer that before we go elsewhere. First of all, I completely disagree with the way in which you're characterizing some of those. So let's just not get into that. But the first case is something called bridge, which was dating back to 15 years ago. Just to be clear, there were a bunch of investors of which the IFC is not the largest one. Actually, two of the world's leading foundations are much larger investors. And I think there's a series of things management could have done better and that's the discussion we're going to have with the board shortly. So I'm not going to preempt that. I just disagree that there was a legal effort to cover it up. That I will not accept as a question because I don't agree with it. If it is proven to be so, I will take all the action that's necessary, but merely conjecturing that is so in a public space I will refuse to sign up for. That's why I'm sorry if you don't like it, right? The second part, the part about tribunals. To be completely honest, the idea of a tribunal is to let people argue for their case.

If I now fire somebody who did something in an employment case, I'm actually adding to that same risk discussion. Never take a risk buddy because if you lose a tribunal case, I'm going to throw you out along with your baggage. If there was a pattern to that, that's different. But I'm really sorry, tribunals are meant to argue cases. That's what they exist for. Otherwise, by that logic, every case you lose, you should fire me first. Why are you firing somebody else?

MASOOD AHMED:

Alright, last question I think then because I know you have a hard stop.

AJAY BANGA:

I'd be happy to be fired, by the way. I can go back to my private sector life. Much more interesting.

MASOOD AHMED:

You have a last question then we close it out. Yeah.

SAMAH SALMAN:

Thank you. Yeah. Thank you very much and I'll be very quick. My name is Samah Salman and I come from the private sector in the Horn of Africa. It's very interesting that you mentioned other people's money. We were working very hard actually to develop projects in renewable energy. And the obstacles we faced were exactly what you said, it was the regulatory frameworks. It was absolutely challenging. And you mentioned the India case study, the India experience. And I'm just wondering, were you able to clear those deficiencies in the public sector regulatory frameworks at the behest of the bank or did the initiative come through the government because we have absolutely failed. I mean, we've spent more than a year just trying to get those frameworks changed. Thank you.

AJAY BANGA:

I don't think it's the behest of the bank. I think a government eventually decides what they need to do in their country. They need to feel that this is what they want to do. The bank can help them work through a few steps that may be better than the others, but if you go and try and lecture countries about what they need to do, you don't get very far in my years of dealing with them. But if you involve them and you let them see the value of this in their own strategic thinking, it works really well. I would tell you that I wasn't there when this happened in India and the bank, but I was involved in India in a different context as to chair the US India Business Council at that time. And I saw this happen, and a lot of it came because India was determined over time to change its mix of energy away from only coal, but they were determined also to not be pushed to do it at a pace that they did not understand because they do need to produce energy for their people. They were trying to thread that needle and put an ambitious enough plan out there, and then we were able, among others, not just us, we were able to help them think it through.

It has to come from the government.

MASOOD AHMED:

Thank you. There are lots of people who have their hands up. I apologize to all of you for not

being able to get to you, but we have run out of time. So just before we end, I want you to join me in thanking Ajay Banga for his contribution.

AJAY BANGA:

Thank you. Thank you. The applause is great. I need help with IDA.