Triangle of power
OMFIF at 10
Top photo: Attendees at Inaugural OMFIF Main Meeting, Deutsche Bundesbank, 2 March 2010. For more details please contact enquires@omfif.org
Triangle of power
OMFIF at 10

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OMFIF’s aim is to link beneficially the three elements of the world power triangle – finance, politics and – increasingly, I hope, in the next 10 years – technology. My thanks go to a large number of colleagues past and present, clients and member companies around the world, and many other individuals who have helped us along the way.

Much remains to be done. We will extend our coverage of the main advanced as well as emerging market and frontier economies. We wish to bolster our research, assisting more market participants in industry and commerce as well as finance. We believe in spreading best practice in foreign investment in highly diverse countries. We want to become a leader in surveying green technology, green investment and green finance, where we have already made our mark. We intend to remain hyper-active in the fast-evolving field of central bank-issued digital currencies. We wish to become still more engaged in many different facets of international capital markets.

We will never lose our abiding fascination with the kaleidoscopic world of central banks and global public investors. We will enjoy expanding and intensifying our work in and on the triangle. And we look forward to interacting still more vigorously with our friends and partners as we continue the journey. ✦
What’s next?

CENTRAL banks, asset managers and financial markets participants devote ample intellectual energy to prediction. They take in the grand and the broad – ‘Whom will voters choose and why?’ – to the prosaic – ‘How is demand for car finance?’ They try to forecast the path of inflation and the price of money and credit. But they also fret on any number of nearly unpredictable things: foreign exchange movements, the impact of financial technology, attitudes to risk, trends in allocation, the consequences – intended or otherwise – of regulation, the direction of geopolitics. Each participant must second-guess the previsions and behaviours of the others. OMFIF exists to make that vital task much easier.

David Marsh set out to create a think tank to ‘provide a convenient yet discreet means for confidential high-level interactions, as well as a more public forum for discussion and reflection on international issues that affect governments, state agencies and financial markets’. A decade on, 160 central banks, 47 of the top 50 asset management firms and 44 of the top 50 banks use OMFIF to do just that.

I will build on this remit. The OMFIF team facilitates the discussion by finding the most relevant aggregate viewpoints and data, creating the most thought-provoking commentary and convening the most engaging events. We will work harder across all formats on key themes.

There is plenty to discuss. OMFIF chairs the conversation with pride.

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As one of the market leaders in Germany, DZ BANK stands for stability and reliability. We are represented in major financial and commercial centres, and together with our nearly 850 cooperative banks (Volksbanken Raiffeisenbanken) we offer comprehensive financial services and combine regional proximity with global financial market expertise. Find out more about us at www.dzbank.com
OMFIF has strengthened its original function – a forum for public-private sector interaction – by building prowess as a think tank and research hub analysing issues relevant to our membership community. OMFIF’s engagement with leading monetary and financial institutions alerts us to emerging themes. The network provides a platform to test results, publish practical ideas and influence policy-makers.

We deploy research methods like surveys and quantitative indices to track progress in macroeconomics, regulation and supervision, and asset management. We explore central banks’ role in assessing new risks in climate change and cyber security.

We investigate changes in the international monetary system including the role of gold, rise of the renminbi and central bank digital currencies. We evaluate new asset classes such as infrastructure, green finance and crypto assets and their impact on central banks and other public investors.

We delve into official institutions’ structures and communications practices. We study development of capital markets in advanced and emerging market economies. And we look at the changing relationship between the UK and the rest of Europe.

We look forward to expanding co-operation with our partners among central banks, international financial institutions, and private banks and investors. As the network grows, so will opportunities to draw on experience from a broader set of institutions and share best practice with an ever wider community.

Danae Kyriakopoulou
Chief Economist and Director, Research

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OMFIF provides a valuable platform for the exchange of ideas among a wide set of public and private sectors. Its expansion into Asia and increasing coverage of key economic and financial issues for emerging market economies are welcome.

In the next decade, central banks and financial regulators will continue to face the issues that have marked the last 10 years. These include managing risks arising from global macroeconomic trends and geopolitical events, and balancing economic growth and safeguarding financial stability with a shrinking monetary policy toolkit.

They will also have to contend with momentous developments. The first is fast-evolving technologies and their widespread adoption by the financial sector, which will require new thoughts on regulation and international collaboration to ensure that their benefits do not come at the cost of financial stability and customer protection. The second is sustainable finance. Market participants will need to increasingly incorporate environmental, social and governance considerations into business decisions and investment strategies. Central banks and regulators will have to update their risk frameworks and ensure that institutions and financial systems are resilient to financial and reputational risks arising from failures in ESG aspects.

Once again, congratulations to OMFIF and its staff on its achievements in these first 10 years. I look forward to more thought-provoking insights and fruitful discussions in the next 10.
OMFIF was founded 10 years ago in the midst of the financial crisis. Since then, monetary policy around the world has faced major challenges – two of which are set to move to the fore in the coming years.

The first is the low level of interest rates globally. Largely as a result of demographic trends, the long-standing downward pressure on equilibrium real interest rates is set to persist. Central banks will have limited room for manoeuvre on monetary policy rates for the foreseeable future.

The second major challenge is the mounting pressure on central bank independence. The use of unconventional monetary policy instruments and the broadening of central banks’ remits since the financial crisis has seen a marked rise in political desire to exert influence on central banks.

Increasingly, their independence is being called into question – despite the evidence that it remains appropriate and necessary.

In view of such political and institutional challenges, theoretical research as well as applied analysis are key. OMFIF provides an ideal platform for exchange among academics and practitioners and will therefore continue to benefit central banks for another 10 years to come.

Thomas J. Jordan
Chairman, Governing Board
Swiss National Bank

Big headaches for central banks
ON the occasion of OMFIF’s 10th anniversary, I’d like to offer my warmest congratulations to David and the team. I am very impressed with the depth and breadth of initiatives and events OMFIF has introduced over the years in development finance, financial and capital market development as well as macroeconomic and monetary policies.

With emphasis on connecting ideas and finance to solving the world’s pressing issues, OMFIF has addressed many issues from infrastructure financing gap to how to nurture healthy capital market growth in Africa.

I have been fortunate to have worked with OMFIF from its early days across three organisations (Asian Development Bank, International Finance Corporation and the World Bank) and witnessed the ever-expanding menu of seminars, lectures and events it has organised across the globe. These meetings, including a capital markets conference in Nairobi, a discussion on infrastructure debt securitisation in Singapore, and an OMFIF/World Bank Treasury conference at the World Bank Group-International Monetary Fund annual meetings, showcased its authoritative voice and practical solutions.

I am confident OMFIF will go from strength to strength in its next decade. I look forward to continued strong partnership between OMFIF and the World Bank Treasury.

Jingdong Hua
Vice-President and Treasurer, World Bank Group
Prosperity for all

CENTRAL banks’ policy space is eroding, climate risks are worsening and trade war developments are unpredictable. Europe faces fundamental challenges on multiple fronts. Signs of the next downturn are evident. Central banks must remain innovative.

In the next decades, Europe should return to the roots of its success stories, including the economic miracles of the second half of the 20th century. Ludwig Erhard, the former German chancellor (1963–66) and chief architect of the German economic miracle, used to say, ‘The purpose of economic governance is to create prosperity for all’.

European policy-makers should apply this thinking on a larger scale. Austerity must end and give way to policies aiming for a sustainable, innovation-based and green future.

Uncertainty and policy challenges will force policy-makers to reconsider the coordination of central banking with fiscal policy to reach a sustainable ‘age of abundance’.

György Matolcsy
Governor, Magyar Nemzeti Bank
CONGRATULATIONS on 10 years of OMFIF – it has been a great success story. If it had not been founded a decade ago, it would need to be invented today. OMFIF has filled a crucial gap by providing excellent economic analysis, central banking expertise and sharing it worldwide.

I remember vividly the beginnings. OMFIF’s first event took place at the Deutsche Bundesbank guest house. In the midst of the 2008 financial crisis, OMFIF managed to assemble key decision-makers from central banks and finance. Exchanging ideas and insights was fundamental to overcoming the crisis, and remains of utmost importance.

Ever since, OMFIF has developed a trademark in facilitating extensive dialogue on financial topics. It offers a high-level platform for exchange. I have the highest respect for OMFIF’s accomplishments.

The financial world appreciates and needs OMFIF.
IN 2019, the euro proudly celebrated its 20th anniversary. But as evidenced by the crises of the past decade, work remains to be done to solidify European economic and monetary union. Completion of banking union remains essential in this respect.

Bulgaria’s clear objective to join the euro area implies that we trust in policy-makers’ coordinated efforts to deepen European integration, thereby promoting strength and prosperity. The country is ready to participate actively in the reforms needed to enhance the resilience of the euro. With its established record of prudent macroeconomic management and commitment to disciplined monetary and fiscal policies, Bulgaria will contribute to the build-up of a stable single currency.

Our friends and colleagues at OMFIF will not be merely taking note of all the exciting developments unfolding in Europe in the next 10 years. With ever growing professional interest and genuine passion for Europe, OMFIF will remain the vibrant and authoritative platform for smart discussions – equally promoting mainstream and minority voices across the wide spectrum of policy-making, finance and central banking.
Safeguarding independence

CONGRATULATIONS to OMFIF on its 10th anniversary. It was my privilege to participate in OMFIF’s first meeting at the Deutsche Bundesbank in 2010. OMFIF has since continued to provide a neutral global platform in this increasingly interconnected world. OMFIF has not served only as a forum for engagement between policy-makers and the financial industry and markets; it has extended the dialogue to the emerging world.

OMFIF plays an important role in bringing to the forefront key issues facing policy-makers and international institutional investors. The world is becoming more uncertain. The public and private sectors are subject to greater scrutiny, with heightened demands for transparency. Non-economic factors – geopolitical developments, advances in technology and climate change – are increasingly having an economic impact. In this environment there is growing distrust towards both the public and private sector. Promises have not been materialised. There needs to be a rebuilding of trust – in particular by central banks to safeguard their independence.

Given the spectrum of its reach, OMFIF will have an important role in generating greater engagement on these issues. Such discussions, exchange of views and transfer of knowledge and information will contribute towards better understanding in the global environment. ✪

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WE are living in an age of disruption, generating anxiety but representing great opportunities. The decade ahead presents three major challenges. First, we must make the ‘digital leap’ with lucidity. New players – fintech and bigtech firms – are gaining importance. Beyond traditional financial regulation, international co-operation should be developed in four areas: cybersecurity, data protection, competition and fair taxation.

The second priority is ensuring the resilience of the global financial system. A decade on from the 2008 financial crisis, policy-makers must not give in to the ‘temptation to forget’. Now is the time to move forward in the implementation of Basel III in a fair and reasonable manner.

The third challenge is pursuing the greening of the financial system. The Network of Central Banks and Supervisors for Greening the Financial System, created in Paris in December 2017, has tasked itself with this goal, with a dual focus on improving understanding of climate-related risks and ensuring the financing of the energy transition.

Upon receiving the Nobel Peace Prize in 1958, Belgian Friar Dominique Pire declared, ‘Men build too many walls and not enough bridges.’ Building bridges to improve our understanding of these common challenges is a valuable contribution by OMFIF for the coming decade. ✦
Europe: The case for completion

Pablo Hernández de Cos
Governor, Banco de España

The last two decades of the 20th century set in motion economic, technological and geopolitical trends that re-shaped the world. Economic development seeped into Asia and other previously poor areas. But weak global standards and institutions, along with inadequate national regulations and oversight, have incited a deep financial crisis.

More recently, the foundations of globalisation and multilateralism have been called into question. Isolationist, protectionist policies are re-emerging.

These inward-looking tendencies contrast with powerful, outward-looking developments, such as digitalisation, global connections impelled by social media, worldwide awareness on climate change, and migratory flows, to name a few.

The European Union should lead the way on how to rebuild social trust. It should do so first by equipping citizens with the tools required to benefit from the challenges that these duelling transformative trends pose, such as better education.

Second, the EU must support a rules-based, multilateral system for global trade, finance and development. To lead by example, a crucial step should be to complete European monetary union, the EU’s landmark project.

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Primed and ready

TO address the difficulties caused by the 2008 financial crisis and its aftermath, many central banks abandoned a ‘one instrument, one goal’ policy, through instruments including massive asset purchases, negative interest rates, credit support schemes and forward guidance. Some of these are now a core element of central banks’ toolkit.

Monetary policy in advanced economies is unlikely to revert to using traditional measures only, as unconventional instruments seem crucial for weathering the global slowdown. They are also necessary for facing up to the challenges stemming from low interest rates, dragged down by demographics and slower global productivity growth.

Apart from these challenges, monetary authorities will have to come to grips with rapid financial market transformation driven by technological change. To provide an adequate policy response, they will need to keep up with new technologies and their impact on financial services and the global monetary system.

Throughout the last decade, central banks have demonstrated their flexibility and ability to adjust. They are primed and ready for whatever lies ahead.

Text written December 2019
The world economy faces formidable challenges. In the short run, the right combination of policies must be found to combat a synchronised slowdown. Owing to prolonged uncertainty, growth and inflation are projected to be subdued, and monetary policy will remain accommodative for the foreseeable future.

There is limited monetary policy space, so fiscal policy and structural reforms must carry more responsibility for growth and productivity. To address any negative side-effects of unconventional monetary policy and challenges posed by the fast-evolving structural change in financial markets, policy-makers need active macroprudential policies with a wider set of tools at their disposal.

In the longer term, there is a need to harness structural reforms to boost productivity and enhance sustainable, inclusive growth that is consistent with climate goals. Europe faces its own structural problems, such as an aging population, declining productivity growth, and the longer-term ramifications of Brexit. Completing the reform of the euro area architecture is vital to bolster the bloc’s resilience.

To reap fully the benefits of a multipolar global economy, rules-based multilateralism and free trade must be safeguarded.

Here, neutral platforms for public and private sector engagement, like OMFIF, play an important role.
DECISION-making differs between international economics, politics and finance, and yet each sphere affects the others and together they shape the global landscape. This dynamic will continue, and decisions taken today will influence greatly the outlook for the next decade.

Global supply chains and financial systems are deeply connected. International co-operation and cohesiveness are therefore key to achieving sustainable long-term global growth while preserving the core values of open and modern economies.

Institutions must harmonise and align their goals to promote growth and prevent economic shocks. The euro area applies this thinking to its monetary policy, but this has not yet been replicated for fiscal policy.

Countries with more fiscal space should supplement monetary policy with an economic stimulus package. More restricted countries should continue with structural reforms to boost their productivity and address the issue of aging populations. Aligning fiscal and monetary policies would make them more effective and with fewer side effects.

Spend and reform

Boštjan Vasle
Governor, Bank of Slovenia
Congratulations to OMFIF from State Street Global Advisors

We wish the Official Monetary and Financial Institutions Forum congratulations on its 10 year anniversary.

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3
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\(^1\) AUM as of December 31, 2018.
\(^2\) Positions and Investments Research Center: December 31, 2018.
\(^3\) The "Central Banking Asset Manager of the Year" award recognizes Asset Managers who demonstrate that they have added value in managing investment assets of central banks and other sovereign investors. The Central Banking "Asset Manager of the Year" Award is based on Risk/return and liquidity suitability, diversification, benchmarking/benchmark outperformance. Submissions should describe why an institution deserves an award through a selection of case studies describing solutions and benefits offered to its official institution clients. While geographical reach and breadth of asset offerings are important, particular attention will be made to asset managers that have met the real needs of their clients during the period under review. https://centralbankingawards.com/categories.
Saving globalisation

POLICY-makers face a major economic challenge: how to reinvent a global development model based on trade and rules enforced by multilateral institutions which sanction anti-competitive practices. This model will be effective and sustainable only if it delivers fair, inclusive growth. Globalisation has resulted in ‘creative destruction’ – innovation wiping out traditional production processes. This has fostered convergence among countries, but also sectorial adjustment costs, widening intra-country divergence and unleashing new forms of protectionism and populism.

Stronger supranational institutions and common policies are needed to underpin deeper economic integration intended to optimise resource allocation. Production processes have evolved into global value chains, which have become pivotal decision centres. These chains can be regulated effectively only through a multilateral global governance framework.

Policies are also needed at national level to mitigate the unequal distribution of gains and losses from global trade. Rising inequality brings a sense of unfairness, threatens social cohesion and translates into wasted opportunities and resources. Decision-makers must find a policy mix that promotes fair income redistribution and ensures everyone can participate in the generation of income, while improving domestic institutions. ✪
OVER the past decade, OMFIF has become an important forum where
market participants and authorities from different jurisdictions could
come together to discuss crucial matters impacting the financial
system.

In the next 10 years, a wave of new technologies and businesses
models will challenge the way finance and banking are done. Authorities
must keep up. Already, technologies such as online banking and digital payments are changing the business
landscape. In the near future, open banking initiatives, embraced by regulators, will give consumers control over
their transactions and personal data.

Other issues will arise in the coming decade, including rapidly aging populations and the need for global
sustainable and inclusive growth. These will require action from both governments and the private sector.
The financial system of the future should be a tool that helps to address new issues as well as longstanding
economic problems affecting society.

I am confident OMFIF will continue to provide an international forum for the discussion of our common
goal: the provision of efficient, resilient, inclusive and competitive financial services. 

Roberto de Oliveira Campos Neto
Governor, Banco Central do Brasil
I have held OMFIF in high esteem from my first encounter with the forum during my tenure as president of the Federal Reserve Bank of Atlanta. I am now a member of the board of the OMFIF Foundation. Through this vehicle, it’s my hope and expectation there will be more programmes in the US dealing with the challenges of the Fed’s monetary policy.

OMFIF’s convener mission remains highly relevant in today’s monetary affairs environment. Looking ahead, OMFIF has the opportunity to contribute mightily to a robust global conversation of common challenges facing policy-makers.

Economic growth is modest. Inflation is chronically underperforming central bank targets. Estimates of the neutral policy rate have been revised lower and lower. Policy rate settings are extremely low or negative.

In such a world, the tools central banks can deploy to counter a severe downturn may be limited and less potent. Central banks may be forced to adopt a risk management posture and pre-emptive bias in their policy-making. Historically, policy-makers have exercised a degree of patience in assessing incoming data with the aim of distinguishing signal from noise and false positives. This may be a luxury going forward.

I wish OMFIF ‘interesting times’ in the years ahead. I am confident it will continue to make an exemplary contribution.

Dennis Lockhart
President, Federal Reserve Bank of Atlanta (2007-17).
Member of the Board, OMFIF Foundation
People, tech and infrastructure

Over the next 10 years, the global economy will be shaped by policymakers’ response to several key challenges.

The first is demography. By 2045, the world population will have grown by almost 2bn; more than half of this growth will be in Africa. The population of the European Union aged between 20–64 will fall by almost 30m. Migratory pressures on Europe will be formidable. There will be considerable strain in many parts of the world on GDP, pensions, long-term care and public debt, unless plans are set in motion urgently to address these demographic trends.

The second issue concerns investment. Europe is losing ground in digital technologies. The US requires an infrastructure plan, and investment is critically needed in Africa and many parts of Asia and Latin America. The opportunities offered by low interest rates, which will not last forever, are not being exploited as they should be.

The third is human capital. Education will be at the heart of tomorrow’s challenges, which can be overcome by cultivating the right skills for the 21st century. OMFIF could play an important role by stimulating policy discussions on these long-term global issues.
Hurdles for ascendant economies

OVER the past decade, OMFIF has enabled central banks, policy-makers and investors to exchange views, share experiences and contribute to sustainable economic growth and financial stability. It is a privilege for Bank Indonesia to be part of such an important and exciting journey.

The world in 2030 will be even more connected, with shifts in demography and rapid changes in technology. We will see a fundamental shift to digital banking and seamless retail payment systems driven by rapid technological advancement. An increasingly interconnected global economy will generate continued growth in trade and capital flows.

Today’s emerging countries will become the dominant force in the global economy. Yet further efforts are required to tackle structural problems and improve innovation and productivity. As complexity emerges, no one can succeed without paying close attention to and planning for these changes.

Central banks will need consistently to adapt their policy mix to strengthen stability and support sustainable growth. The right mix will come from monetary policy, financial market deepening, macroprudential measures and further strengthening of payment systems, in synergy with governments. OMFIF will serve as an excellent platform for candid exchanges of views among institutions and can take a significant role in creating a sustainable world economic order.
THE bold victory in 1989 of economic and political liberalism did not mark ‘the end of history’. The fall of the Iron Curtain unlocked the process of European unification, but nationalist populism has resonated with those who feel ‘lost in transition’. Inclusive economic growth, however, will help counter mounting attacks on democratic institutions and liberal values. The European Union is likely to pursue further economic convergence through deeper integration and enlargement.

A resilient common currency needs integrated markets. In this regard, completing banking union and developing a capital markets union are paramount, both facilitated by moral hazard-proof fiscal risk-sharing.

Stability and innovation fit together well. To fulfil their price and financial stability mandate, central banks must bear in mind that the world is transitioning constantly to – or through – aging societies, low-carbon economies, digital finance and deeper integration. The main responsibility lies with elected governments, but central banks are well placed to analyse, advise and act on intergenerational, global issues such as climate change. To do so, the world needs badly the intellectual stimulus provided by independent think tanks such as OMFIF.
ONE of a central banker’s primary challenges is to forecast medium-term inflation. This is a difficult task that requires an approach grounded in humility. An even more challenging question is to forecast the international economic, political and financial outlook for the next decade.

As a trade war looms and the UK completes its exit from the European Union, and with the forthcoming US presidential elections, 2020 will shape the next decade. A central issue is whether globalisation and multilateralism will continue to face headwinds. This trend is concerning. Further isolationism may weaken policy-makers’ ability to deal with global challenges and opportunities, such as those related to climate change, aging populations and technological developments.

These matters have serious economic, societal and political implications, which require adequate policy attention in the years ahead. I expect that 10 years from now, policy-makers will have taken appropriate measures in this respect. Important economic reforms are needed, including a redesign of the international trade framework, greening the financial system, completing the European banking union and strengthening capital markets.

Think tanks like OMFIF play a vital role in this process, as they facilitate and enhance dialogue.
CONGRATULATIONS on OMFIF’s 10th anniversary. Six years ago, in April 2014, I was honoured to give an OMFIF lecture where I focused on re-energising growth in our regions. Since then, the European Bank for Reconstruction and Development has helped several countries of operation overcome economic downturns and strengthened our position in climate finance. Last year, a record 46% of our €10bn of investment was in the green economy.

Climate change threatens financial stability. Central banks have a role in spearheading understanding of climate-related risks. Private sector investors have started realising their responsibility to treat sustainable investment seriously.

Climate change and rising inequality can be addressed only with new growth models, putting a premium on co-operation and partnership. A broad consensus has developed behind public and private sectors delivering the sustainable development goals by 2030. Near-universal momentum and urgency are behind the drive to achieve the goals of the 2015 Paris climate accord. With greater emphasis on inclusion, we can bring back whole sectors of society from the margins of rising global prosperity.

We need open debate on co-operation between the public and private sectors worldwide, especially in finance. As OMFIF enters its second decade, I would like to wish the Forum every success in informing and stimulating this crucial debate.
Soditic Asset Management LLP
is delighted to support
OMFIF’s 10th anniversary
dinner

Many happy returns!

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