

World Bank Group President David Malpass Opening Remarks -Media Roundtable - Annual Meetings 2022

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DAVID THEIS: I'm David Theis, the World Bank press secretary, and welcome to this call to kick off the 2022 Annual Meetings. World Bank Group President David Malpass will make remarks and then we will take your questions. But before that, please note that this call and accompanying content are under embargo until 9:45 today, please, just to give folks a chance to take everything in. When we get to Q&A, please identify yourself and your outlet. And if I could ask, one question per reporter, that will allow us to get to all of you. Thanks. And thanks again for joining us. It's going to be a busy week. Mr. Malpass.

DAVID MALPASS: Thank you very much. Good morning, everybody. We're going into our Annual Meetings next week. I'd like to run through some of the things there, and then take your questions. [My remarks last week at Stanford](#) described what we're thinking is— we have to realize is a crisis facing development. I focused in that speech on the macro environment—that's the risk of a world recession next year; the increasing concentration of capital in advanced economies due to the fiscal and monetary policies; the drain on developing countries that's coming from high priced foods, fertilizer, and energy, and also from debt service—I want to go through that a little bit with you. The crisis is also the backward direction of greenhouse gas emissions that's going on worldwide, a major concern, and also the danger that these trends might continue.

As we look at the forecast for 2023, and we're looking at the developing countries carefully, there will be downgrades pretty much across the board, but especially in the advanced economies, and that changes the outlook as we go toward 2023. This, of course, would have negative consequences for everyone, because the world is interlinked, but also the poor are hurt the most, and that's one of the major missions and concerns of the World Bank.

We issued a [major poverty report this week](#), and I recommend it to you. It showed a very concerning increase in poverty and also a decline in median

income. Within countries there was some progress, in part because of social safety nets that were deployed at the beginning of COVID. The data shows that there's a distortion in income and wealth in favor of the advanced economies, with lower income countries being left out. So – major concern over the inequality implied by the report. The number of people in poverty and extreme poverty rose by over 70 million people in 2020 and the median income fell by 4 percent—that's the first decline since 1990.

We also released this week our Food Security Update on Monday. As you know, the World Bank is a major factor within global food support during insecurity. The outlook from the report is grim. Domestic food price inflation remains high. Fertilizer prices are beginning to rise again, which limits fertilizer availability, especially in the poor countries. With limited fertilizer production in Europe, because of the natural gas shortages, it means that they're also drawing fertilizer as well as natural gas from around the world, which puts strain on developing countries.

I want to mention the spillover from that in terms of fragility and in the vacuum that's occurring in some of the developing countries from a security standpoint. Of course we see Russia's war in Ukraine. The World Bank has been a major channel for funds going to Ukraine, from ourselves and also from donor countries. We are a primary conduit for that support. We also did a damage assessment of Ukraine, showing \$350 billion of damage already. We'll be hosting an important conference next week at our Annual Meetings. It's a follow up on the Spring conference that was opened virtually by President Zelensky. It goes also to the point of the much broader instability in fragile countries around the world including the Sahel, where we've had a major focus in terms of our offices, our operations, our support programs, our grants. That's all been compounded by the large flow of arms - inflow of arms - through North Africa that is continuing and compounding the economic challenges these countries are facing.

Developing countries are responding by tightening monetary and fiscal policy. That comes on top of inflation. The world's interest rates are going up and the credit spreads are also widening. We see currency depreciation in the developing countries and capital outflows. All of that leads to a risk aversion in terms of new investment going into the developing world. That's one of the themes of my Stanford speech. The concern is that these conditions and trends might persist into the future, that there's not a change in policy direction that would give us confidence.

As you know, debt levels were already high for many of the developing countries. The fiscal strain is immense right now. In 2022 alone, around \$44 billion dollars in debt service payments for bilateral and private debt service, have become due on the public and publicly guaranteed debt of IDA countries. The poorest countries in the world - are owing \$44 billion dollars to creditors. That's much bigger than the foreign aid flows that those countries could hope for.

The World Bank is working to expand, and we have been expanding dramatically, our support for these countries, but it's simply not enough. The debt service is taking away from the resources they would have for health, for education, social protection, for climate, and importantly, for growth. That's part of this persistent downturn that I'm very worried about.

We're working with countries to increase the efficiency of their spending and to broaden the tax base to help them move quickly toward debt relief, when their debt burdens are unsustainable. We're working also closely with the IMF and the G-20 to try to restart and strengthen the implementation of the G-20's Common Framework for debt reduction. As you know, it's been a very slow process. We have proposed numerous ways to try to strengthen that implementation, but I emphasize this number: \$44 billion dollars of expected outflows from the IDA countries.

Putting all that together, I want to say a word about what the World Bank itself is doing. As you know, we've had record growth in our climate financing and in our commitment both during the COVID crisis and now. We're committed to \$170 billion dollars of flows of financing over the 15 months of this current food crisis. That started in April, with very fast response from the World Bank in terms of food assistance programs; that's Lebanon, Egypt, East Africa and Sahel and on across the world in terms of food support programs. That goes with the very fast response that the World Bank and staff did at the beginning of COVID, with the personal protective equipment and then the vaccines. And then the Ukraine assistance that was massive and very quick after the invasion started. I met with President Zelenskyy in Munich at the end of February, just before the invasion. We committed to a fast response, which we are continuing to implement. People around the World Bank are working massively hard on all of the problems that I've mentioned today.

Climate of course, is a major focus. We have put together a major new diagnostic that's the centerpiece of the world's understanding about the developing countries' pathways to reduce greenhouse gas emissions. They cause global warming and climate change. And we're working directly on

having results. The centerpiece of our Climate Change Action Plan, which has been hugely well received by the world community, is that we go for actual reductions in greenhouse gas emissions, recognizing the challenge and the cost that that has had. We've put out a record level of financing: \$31.7 billion in the fiscal year FY 22. In each year of my presidency at the World Bank, we've expanded the climate financing dramatically and we continue to do that. We are working with organizations around the world to improve the data, the projects, and also the financing flows, and we'll be discussing that extensively at the Annual Meeting next week.

I want to close and come back to that we're in the midst of a crisis facing development. The World Bank is in the center of the efforts to respond to that, to soften the blow, and to help the world move to a recovery. Our concern and the danger that we see right now is that the trends are still downward. Let me stop and look for questions. Thanks.

