Transcript of Opening Press Conference with World Bank Group President Jim Yong Kim at World Bank/IMF Annual Meetings 2015

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World Bank Group President Jim Yong Kim
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Transcript

MR. DONNELLY: Could you take your seats, please, we are going to start in one minute. Hi, everyone. My name is John Donnelly. I'm the Communications Advisor for Dr. Jim Yong Kim, the president of the World Bank Group. Dr. Kim will open this Press Conference with a short statement, and then we'll take questions from you. Thank you very much.

DR. KIM: Good morning, and welcome to the 2015 World Bank Group, IMF Annual Meetings. It's truly great to be back in Lima. Peru has been a wonderful host, and we are grateful for all it has done to prepare for this event.

Just a few days ago, we announced that for the first time in history, the percentage of people living extreme poverty around the world will likely fall to under 10 percent this year, to 9.6 percent globally. This is the best story in the world.

Our goals at the World Bank Group are to end extreme poverty by 2030 and to boost shared prosperity for the bottom 40 percent in developing countries. While we remain confident about ending extreme poverty, the final stretch will be extremely difficult because we are in the midst of a period of slow growth, the end of the commodity super-cycle, pending interest-rate hikes, and the continued flight of capital out of emerging markets.

After a decade of strong growth and tremendous social progress, Latin America, like other regions, is facing headwinds. We forecast that the region will experience a -0.3 percent growth for 2015, with a slight improvement to 1.1 percent in 2016.

The slowdown poses a threat to hard-won social gains and countries must now adapt. Countries in Latin America need to increase productivity, access to quality education, and ensure that the state is more efficient in providing services. The region can promote inclusive growth through reforms that enable it to take advantage of its openness to global trade.

The recently completed Trans-Pacific Partnership negotiations could be very good news for the region, even with Mexico, Chile, and Peru as the only Latin American countries taking part. The TPP's potential influence on the world economy could help boost the region's growth.

And now I want to get to two other issues that I want to bring to your attention. The first is on the impact of changing demographics. We released our global monitoring report yesterday, which shows that governments must overcome a growing demographic divide to make future progress. Half of the world lives in countries where populations are relatively young and growing, but are poor with little access to quality education. The other half lives in countries where populations are contracting, aging, and retiring; these countries drive most of the world's economic activity, but their economic growth is at risk as birth rates and the numbers of workers decline.

These demographic realities can be a golden opportunity for both poor and rich countries. An influx of working-age refugees or migrants into a country with an aging population can ultimately reap benefits for everyone – but as we have been witnessing for the past few years, due to the ongoing conflict in Syria, the flow of refugees can lead to tragedy, as well.

Jordan, Lebanon, and Turkey have taken in several million Syrians in recent years, generously providing shelter, schooling, and other services. Now, hundreds of thousands of mostly Syrian refugees have been pouring into Europe. This has tested Europe's leaders and its people, as it did Syria's neighbors, and we admire the outpouring of help and generosity from many across Europe.

For all involved, the refugee crisis is an immensely difficult challenge. The World Bank Group has been assisting the host communities of the refugees in Lebanon and Jordan for

the past few years, and now we're exploring new ways to increase help for Syria's neighbors.

The second topic I wanted to talk about is climate change. Climate change affects every nation and every person, but it hits poor people the hardest. The world must cut emissions and invest in greater resilience now.

At the Paris conference in December, countries must show real ambition. Political will for urgent action is critical. We believe there are politically credible pathways to deliver \$100 billion a year in climate financing for countries by 2020. Meeting this commitment will build the trust and confidence necessary for credible emissions-reduction targets. Much of that \$100 billion is already flowing with multilateral development banks providing critical financing.

The World Bank Group stands ready to scale up its support to meet increasing demand from countries. The world must act now to put a price on carbon, end fossil fuel subsidies, increase access to renewable energy and improve energy efficiency, build cleaner and more livable cities, and invest in climate-smart agriculture. We will be having active discussions with our shareholders in the coming days to do all we can to help the world find solutions that are equal to the challenge of climate change.

And now I'll be happy to take your questions.

MR. DONNELLY: Okay. Thank you, Dr. Kim. Please identify yourself and your institution. Alex?

QUESTIONER: Alex Plummer, Daily Mail, London. Dr. Kim, in your introductory remarks, you referred to a golden opportunity presented by the current migration circumstances. The aging and the two types of population which you referred to, but doesn't an influx of the scale which we are seeing at the moment into Europe pose very difficult socio-economic and integration problems, particularly as this is a population which is not of European origin?

DR. KIM: Yes, we've been watching carefully, and we have been very moved by the efforts of European countries to help as they can, but we also know that's very difficult. And you know, Alex, you know me, I was an economic refugee myself in 1964, and I understand

very well both from the perspective of someone coming into a country when they don't speak the language, and they don't understand the cultural norms.

But we came as single family and the hundreds of thousands that are coming, of course, are causing a great challenge. The thing that I've been most impressed with, Alex, is that I've been now having some of the best conversations we've ever had with leaders in Europe. We are now looking for innovative ways of dealing with the refugee crisis so that people will be more likely to stay in the area. If we can create jobs, if we can create better schools, if we can do more to help the refugees stay in those areas, whether now just overflowing, then I think we'll have a good solution.

And so we're not able to announce it quite yet, but I've had discussions with Chancellor Merkel, and David Cameron, and others – we really need to be more creative and more effective at dealing with the refugee crisis in the Middle East. I think the fact that the leaders are not only being gracious and generous to the incoming, but also thinking ahead about medium- and long-term solutions gives me great hope.

QUESTIONER: (off mic) There's some data which suggested that the Syrian refugees who had settled in Turkey have become very entrepreneurial, setting up very many businesses, and so on, but that deprives the countries that they come from of those skills.

DR. KIM: Yes. That's absolutely right, and so among the new things that we are really looking at, and first of all, it's one of the least integrated regions of the world, the Middle East and North Africa. We are going to really focus on regional integration. Also the average lifespan of a refugee as a refugee of 17 years, so we can't think of this a short-term humanitarian response; we have to think of different ways of providing better job opportunities and better education.

But also, we have really think ahead about rebuilding and recovery in places like Syria. So we are already laying the groundwork for what we are going to do, we are following things like, which are the hospitals, which are the schools that need to be rebuilt so that we can move much more quickly.

Overall, what we now know, is that the political negotiations that the U.N. often is responsible for, the humanitarian response that is often left to the U.N. and nongovernmental organizations, and the development response that we have been involved with, along with lots of other multilateral development banks, and others, they have been

seen as three separate things, and we've got to bring them together, because the distinction between them is getting more and more blurry. We've got to now have a much more strategic, a much more focused way of thinking about what the reality of the situation is.

MR. DONNELLY: The woman in the black?

QUESTIONER: Hello. My name is Stephanie Johnston with Tax Analysts. I have a tax question for you. Dr. Kim, you recorded recently as saying tax avoidance was a form of corruption, and today, as you know, the OECD is going to present the final reports for the BITS project. I wanted to get your thoughts about how developing countries can balance these recommendations, you know, with other economic concerns. Please. Thank you very much.

DR. KIM: So, Stephanie, one of the things that happened just recently was the adoption of the Sustainable Development Goals. And in thinking about how we are going to provide the trillions of dollars necessary to fund the Sustainable Development Goals, we began having a much broader conversation about sources of revenue for developing countries. Where we started was domestic resource mobilization.

And Christine Lagarde and I have offered that we will provide, for any country in the world, intensive technical support to make their tax systems, to make developing countries tax systems more efficient and more fair. And so we were very encouraged by the response we got; there was not a single developing country that did not want our help, and we are going to go forward in doing that.

We actually think that if you make tax systems more efficient and more fair, as much as 2 to 4 percent of the GDP of developing countries could be received by those countries in the form of more taxes. And if you look at it, it's going to be anywhere from 2 to 3 to 4 percent of the official development assistance. So this is potentially a huge new source of funding for the Sustainable Development Goals. And so that's very important.

Another issue, that the developing countries have flagged to us as being critical, is the stopping of what they call illicit flows. That's everything from people literally stealing money and taking it out of the country, to others who take advantage of weak institutions to not pay taxes in countries where they are making -- where they are creating profits.

So, that's going to have to take a lot of global coordination, but I think those are two, you know, completely new parts of the discussion. Before, the discussion around development has been about ODA or about multilateral development bank lending, now we are really saying developing countries are going to get serious about increasing tax revenues, and we are all going to get serious together about stopping these illicit flows, as they call them.

MR. DONNELLY: I'll take this woman right here, at the front.

QUESTIONER: Dr. Kim, thank you very much, for your answer. I'm Claudia from Peruinforma.com. You were very clear when you remark that access to health is essential to end poverty. In that sense, what are the points to care in (inaudible) treaties to ensure the access of medicines for people who have low middle-income budgets? Thank you.

DR. KIM: I'm sorry. I didn't quite understand the question.

QUESTIONER: Your recommendations for economic treaties in order not to cross the lines for the access for poor people, and middle-budget people?

DR. KIM: Mm-hmm. For medicines, access to medicine?

QUESTIONER: Yes. Medicines, yes.

DR. KIM: You know, probably I don't want to get into the details, I spend a good part of my life trying to increase access to medicines for poor people for treating diseases like tuberculosis, and especially for HIV. You know, if every developing country took advantage of the very low-cost manufacturers in India, in China, now in many other parts of the world, developing countries could decrease their cost for pharmaceuticals tremendously. So there are places in the world where the cost of production, even medicines are very expensive in other parts of the world, are extremely low.

So, it's not -- Again, if you are interested I'll give you the names of some of these groups who procure those medicines from the low-cost manufacturers. Now there is always a problem, still, the newest medicines that are still on patent, but with HIV, we had great success in negotiating with the manufacturers themselves, and they gave the permission for the low-cost manufacturers to make them for Africa, for example.

So there are many creative things that can be done, but right now, the global market for very low-cost medicines has advanced tremendously, and Latin America should take full advantage of resourcing, or sourcing those medicines from those producers.

MR. DONNELLY: Ian? No. No. No. In the back, I'm sorry. In the back. Yes.

QUESTIONER: Thank you. Ian Talley, Wall Street Journal. I wonder if you could elaborate on what innovative policies, even if you can't make the official announcement, you can give us a better understanding of what you are looking at both in Europe and also in the transition countries. And secondly, does the World Bank need more capital to meet the rising demand?

DR. KIM: So, Ian, great question, and let me just try to give you a sense of it. So, normally we loan to countries, and normally we loan to countries based on their population. But what happens when your population increases by 25 percent because of refugees? And what happens when, even though you are middle-income status, the needs of the refugee population, would be very difficult to meet if you had to borrow at middle-income terms? So, what we are looking at is the possibility, for example, of saying, you know, what if Syrians in Jordan or Lebanon, like in Turkey, had the right to start a business and to work, and pay taxes, and everything else – the government of Jordan or Lebanon would have to give them that right. But then, the question would be, well how would you help them create jobs? Many of the refugees in most communities have been there for a long time and don't have capital.

Well, one of things we could do is to go to the capital markets, take a loan, and then, for example, another developed country could buy down the interest on the loan to make it much better terms, and then we could build infrastructure, for example, and that infrastructure could lead to the creation of jobs, for both Syrians and, say, Lebanese or Jordanians.

Now, you know, what would happen to those products. Well, if we, at certain regions or countries gave preferential status for the import of those particular items, then you might have a system that would work much more effectively. So, in other words, we have to think out of the box. And it's very much out of the box for us, but we think that if, for example, countries in Europe, us, the Jordanians and Lebanese, others who are accepting refugees, if they are open to these creative solutions, we could find a path forward that really would work for everybody. So, those are the kinds of things we are looking at.

In terms of capital, I mean, for the next two or three years, if we keep up the levels of lending that we have right now, we'll be okay. But at some point, we are going to have to decrease our lending pretty dramatically because we'll reach the limit of how far down we can go to maintain our Triple-A rating. In other words, we'll have limits in terms of how low we can go in our equity-to-loan ratio. So, we're not there yet, but depending on what happens over the next few years we may get there. Now knowing all this, the really important thing is the Board has taken leadership, and the Board is simply all the 188 member countries. They've taken leadership. Understanding what the headwinds look like in the world today, they put a schedule together where we'll have every single discussion about capital -- our need for capital. Now, you know, there's things that really worry me.

I mean just today you all saw on the front page of Emerging Markets that the capital flight out of emerging markets is the worst it has been in 27 years. We also know that commodity prices continue to be low and there's no -- nothing on the horizon that suggests that they are going to go back up. We know that borrowing costs are going to be impacted when the fed funds rate is raised. So, I'm worried. In times like that, normally demand for our capital goes way up. So if that happens, we are going to have that conversation with the Board. And, again, the good news is the Board is completely on top of it. We have a schedule, and we are going to discuss it as the needs come up.

QUESTIONER: I'll ask in Arabic language please. My name is Mohammed Abdullah from the Turkish News Agency. My question: how much assistance provided by The World Bank to the MENA countries during the Arab Spring years? Second, there are hundreds of projects that are implemented by The World Bank in cooperation with Arab countries. But against that, there is some contradiction. Despite these projects, employment and poverty are increasing, particularly in Palestine where it has reached about 29 percent of unemployment. Thank you.

DR. KIM: Unfortunately, I don't have the exact number of how much we provided specifically during the Arab Spring, but we'll get that for you. And we have provided close to a billion dollars in support over many years to the Palestinian authority. And, yes, we do know that poverty persists, but that's the case in -- unfortunately -- many countries. We remain committed to providing support to the Palestinian authority. And, as I've said before, we've been humbled by what's happening in the Middle East and North Africa. We've been very humbled by it in the sense that what we've been doing hasn't worked very well. So this is why, along with the United Nations, along with humanitarian agencies all over the world,

and along with the European Union, we are really sitting down and rethinking fundamentally what we do. And, as I said before, the idea is that you cannot separate political agreements from humanitarian response from development. Those all have to come together. The Secretary-General and I have taken three trips to regions in Africa where there was a lot of conflict and fragility -- the Great Lakes Region, the Sahel, and the Horn of Africa. And we are planning another trip somewhere to the Middle East and North Africa sometime soon. And the idea is that the U.N. and the World Bank should always work very closely together. That the political agreement should be linked to development and that those two should go together.

The political agreements and humanitarian response should be linked to development. So, this is the new response. That's why the Secretary-General is coming here, all the way to Lima, to participate in the Meetings and to participate especially in a ministerial meeting on new approaches to the Middle East and North Africa. And I gave you a flavor of what that might look like in answering Ian Tally's question.

QUESTIONER: Thank you very much, Dr. Kim. My name is Agina from Kenya. Two questions: In light of the strengthening of the U.S. economy, we've seen a number of African countries sort of being (inaudible) undecided when it comes to access to capital from the World Bank. Should African countries be worried out of this trend? And, secondly, they are the biggest beneficiary of, of course, World Bank projects is Africa. Speaking specifically for Kenya, we've had a problem when it comes to adoption and absorption of public-private partnerships. Perhaps where are we getting it wrong and should we look forward to seeing more policy reviews regarding this? Thank you.

DR. KIM: Thanks very much. I am very worried about access to capital in Africa. And we've seen now that borrowing costs are already going up. It's getting more and more difficult. We're trying to be as innovative as possible by guaranteeing parts of the bond issuances that are going out. But there is no question that interest rates will go up and with the overall flight of capital out of emerging markets I think it's going to get tougher and tougher. I think there are still innovative ways for us to provide more financing for Africa. For example, we have quite a bit of IDA equity that we could begin leveraging on global capital markets. And although it wouldn't be the 0 percent interest that IDA is, we would still take advantage of a very strong track record. Get a very good rating and then perhaps be able to offer loans with longer maturities at much lower rates.

Now this is -- the African leaders have told us this is very much what we want, but in terms of going forward, again, the Board has taken the lead. All of these different possibilities, leveraging IDA equity, whether we need a capital increase, all of the things are on the table. And we are going to discuss it in a very methodical way over time. And, also, of course, if things get really bad then we are going to have to accelerate. But this is what we always do. Yes, we're worried but I think also we have some innovations that could help us.

In terms of the PPPs -- PPPs are difficult everywhere in the world. And we know that many have failed in many, many different countries in the world. And this is why we've put a specific focus on trying to improve our effectiveness in helping countries with public, private partnership. It's not an African phenomenon, it's not a Kenyan phenomenon, it's everywhere. Stalled PPPs are everywhere in the world. Although they are a great idea, it turns out they are really quite complicated to actually make work. So we're trying to increase our capacity to support countries all over the world in building successful PPPs.

MR. DONNELLY: Okay, we don't have that much time. I'll take two questions of the woman right there, in the second row, and then from the woman right after her. Right there, okay?

QUESTIONER: Thank you, may I ask my question in Spanish? (Inaudible) I am from Nicaragua. Thank you very much, Dr. Kim. My question is, right now in my country, Nicaragua, the role of the World Bank is being strongly questioned because it is doubting statistics presented by the government regarding poverty reduction. Now something like 70 percent of Nicaraguans are no longer poor. So how would you respond to that? This questioning coming from civil society organizations, from different sectors, saying that these figures are not credible. But they are being validated by the World Bank. Then, what would the position of Nicaragua be? Would it be the second-poorest country of Latin America with a statistic? So that means that no longer would we get cooperation funds. Debt sustainability is key for our government, thank you.

MR. DONNELLY: The second question. Over here.

QUESTIONER: I am (inaudible) Excelsior Communications, Mexico. The World Bank has advised the Mexican government, especially on the creation of a special economic funds, and establish in poorer states and even the possibility to first -- the history -- have a corridor between the Pacific and the Atlantic, like that compete with Panama. Do you think this is a

normative way to take out and to connect poverty states of the south to the north and even to connect Central America to the north? And which kind of examples can you bring to us of exit -- of this kind of solution and the novelty that you put on the table for Mexico.

DR. KIM: Thank you. I think you mean success.

QUESTIONER: Or success.

DR. KIM: Thank you, do I take these two? Okay, unfortunately, I don't know the specifics of the poverty-data question. I just don't know what that is, but I will have our team make sure to get back to you with that. So our Vice President Jorge Familiar is here and our country director Umberto Lopez will make sure that they find you and give you specific feedback on it. I just don't know the details of it.

The Mexico situation is very interesting. If you look at the development of the different states, you see very rapid development and in the northern states, that have benefited from free trade. And you see stagnation in the southern states like, for example, Chiapas. Now early in my career, I'd get a lot of work in Chiapas and understand a bit about how deep the poverty is in some of the settings. I've been up into the mountains where the people don't speak Spanish and the conditions look like 15th century. So I think, in my discussions with both President Pena Nieto and Finance Minister Luis Videgaray, I think they are thinking that they would like to take a model that has worked in other parts of Mexico and make sure that the southern states benefit. So we'll see. I think it's a very reasonable way to think about stimulating growth and helping the southern states to catch up.

It's a question and a problem around which I'm very interested. And I have a very personal tie to having worked in Chiapas with both Guatemalan refugees and trying to provide healthcare to some of the indigenous populations that really are living in terrible conditions. I commend President Pena Nieto and Minister Videgaray for focusing on those areas, and we have to keep trying to see what might work in helping those southern states develop.

MR. DONNELLY: Thank you very much. I'm sorry we're running out of time. We'll send a transcript of the press conference to everyone here, thank you.