Transcript of Development Committee Press Conference

October 11, 2014

World Bank Group President Jim Yong Kim, IMF Managing Director Christine Lagard
IMF-World Bank Annual Meetings 2014
Washington, DC, United States

Transcript

MODERATOR: Hi, everyone. Thank you for coming to the closing press conference of the 2014 World Bank-IMF Annual Meeting. We’ll have comments from all three principles, starting out with Chairman Belka.

CHAIRMAN BELKA: Thank you. Welcome to the press briefing on the just-concluded Development Committee meeting. The focus of the meeting was shared prosperity, the idea that the poorest 40 percent of people in developing and developed countries can share in the gains from global economic growth. While significant progress has been made in extending shared prosperity over the last two decades of strong economic growth, this progress has not taken place everywhere for all people, and about 1.2 billion people still live in extreme poverty.

The discussion took place in the context of concern about the slowing and uneven pace of global economic growth and its impact on the poor, especially unemployment, as well as implications for economic, social, and environmental sustainability. We also discussed among other things the Ebola crisis, which I single out for obvious reasons. We welcomed the World Bank’s and IMF’s rapid response to the crisis, and we supported additional measures from the international community to prevent its spread and protect countries in the medium and long term.

You can read the meeting communique for more detail on the conclusions of our discussions. The papers that were distributed for our meeting are publicly available on the
Bank and Fund Websites. So let me just turn to Jim and Christine to elaborate on our meetings today.

**DR. KIM:** Yes, we had a very good discussion during the Development Committee meeting, first on energy during the lunch period and also then on the problem of global inequality. But on the meeting as a whole, there are three major highlights that I wanted to touch upon. First, we had a signing ceremony and now the Global Infrastructure Facility of the World Bank is now a reality. Companies and countries have committed to building this platform in which we would bring the expertise of not only the World Bank, but the IMF and other multilateral development banks, to prepare projects and bridge the gap in what is a market failure. There’s trillions of dollars on the sideline waiting and looking for a good return. There are many, many very bankable infrastructure projects that for lack of project preparation, for lack of identification, are not attracting the kind of capital that they deserve. This new platform, in collaboration with the Australian G-20 leadership’s efforts on an information center for global infrastructure, we think could begin to bridge the divide.

The second issue I want to talk about is climate change. At the U.N. General Assembly now I think two weeks ago we presented a statement on carbon pricing. While we had relatively low expectations when we first started on this idea, it ended up that 74 countries, 11 regions, and more than 1,000 companies signed onto this agreement saying that we should set a price on carbon. We were very excited to host here in Washington, D.C., the first meeting of that group that signed on to the statement. Companies were represented, sovereign wealth funds, the countries that had signed on, including China, which has made very strong commitments to finding a price on carbon for the world. We take very strongly our responsibility in the area of global public goods like fighting climate change, and we’ll continue to do this work.

On Ebola, the meeting that we had, the early morning meeting, we had on Thursday was extremely productive. The heads of state made very concrete statements. They told us exactly what they needed, and we were very encouraged to see that many organizations stepped up. I especially want to thank Christine Lagarde. Not only did she make $130 million quickly available, in the bank accounts of these countries, but she stated that taking on debt at this point was fine for these countries, creating fiscal space, that they were frankly jubilant to receive. And in addition to the efforts of the African Development Bank and the U.N. system, we’re beginning to make some progress. But I want to stress, again, one of the things that Tom Frieden, the head of the United States Centers for Disease Control, stated was that we’re still behind. It’s worse now than it was 10 days ago and that
this is the worst epidemic he’s seen since HIV. As an HIV physician and someone who fought that epidemic, I have to say that in many ways it could be worse.

And so, the point that we kept stressing is that the humanitarian response, the public health response, and the response that can blunt the economic impact are all the same. We have to get very high quality treatment and prevention services in those three countries immediately. We’ve already seen the impact. In Mr. Duncan’s case here, in the United States, he died unfortunately and people were exposed. In Spain, we’ve already seen the very first Ebola infections ever outside of Africa. The economic impact is already being felt in Spain, with the hits on the stock value of some travel companies. Now we hope that this will be under control quickly, but it gives you some sense of how complicated it is, to mount an effective and adequate response. So we once again call on all of the countries who are watching, if you have any sense that you want to help with this epidemic, do it today. Do it now. Every day that we wait, the ultimate response is going to get more expensive. And we have no choice. We have to get this under control. This is not something that we can look away from, because right now, without effective services in place, on the ground, in these three countries, the rational, logical thing to do if you think you might have been in contact with someone with Ebola, is to get out of your country. And so what we need to do is to change the incentive so that such good services are being offered in those three countries, that people want to stay. We will continue to work on this. We also suggest that what we need now is a tool going into the future. We need some source of funding that will disperse immediately on the occasion of the next epidemic and the global community needs to come together to decide what the response will be. We know we can do it. We know we can build that instrument. And working together with the IMF and the other multi-lateral development banks and the U.N., we think that we can learn from this experience and not let it happen again. Thank you.

MS. LAGARDE: Thank you very much Chairman. Good afternoon to all of you. It's not tit for tat, but if I may, I would like to commend Jim Kim for the terrific leadership that on behalf of the World Bank he has expanded and demonstrated tirelessly on Ebola. I will second everything that he has said. I will just slightly qualify a point that he has made. It is true that much to their surprise, I said that for once, the IMF is saying that it is okay to increase the deficit, because I think it's okay to increase the deficit, but hopefully, hopefully, it's not necessarily going to induce an increase in debt, because what those countries are going to need is grants and financial support from the international community. So we are both on the same page with the same sense of urgency. And we will certainly continue to try to help
as much as we can these three countries. Equally, if I may say, it's not for me to tell you what your job is about. But I think we should be very careful not to terrify the planet in respect of the whole of Africa. Those three countries are severely hit. We are going to try to give as much support as we can. The big urgency is to stop it. Contain it. But it's not the whole of Africa. And business has to continue. The economies of all the other countries have to keep on working and creating jobs and so on and so forth. So we have to be attentive to it. We are attentive to it. But I think if you can communicate that as well, it would be terrific.

Now just two other points that I would like to mention briefly. One is, just to show you this, which is a publication that is released today that brings together all the work that we've done on low income countries, to really assess the current situation. It's a bright spot on the world stage. The average growth of the low income and developing countries is more than six percent, compared with other areas, it's a lot. And clearly there is much work that can be done to help them sustain that growth and continue to develop. And we've tried to capture that, studying 60 different countries.

Third point, as you may know, since the financial crisis, we have been lending at zero interest rate, out of the poverty and reduction and growth trust fund that we have, and we have been called by the IMFC earlier today, to actually extend that zero interest rate for another two years. And I hope that the board of the IMF will be considering that favorably. I'm certainly going to schedule that board meeting very expeditiously. Thank you.

MODERATOR: Thank you. We will now take your questions. Please identify yourself and your affiliation. In front.

QUESTION: Madame Lagarde, with regard to containment, is there any plan to put more funds on the table, particularly for countries that are not directly affected but may be affected? I have in mind Senegal and Nigeria. Dr. Kim, with the pandemic response unit, is that strictly a funding operation, or will it have other functions that might conflict with what the World Health Organization does? Thank you.

MS. LAGARDE: Now very briefly on the issue of containment, we provide financial support in the form of loans to quite a few African countries, actually 18 of them at the moment. And
if ever there was spreading or very specific needs related to the spreading of the disease of course we would be open to additional support.

**DR. KIM:** Well, it's still very much in the early stages. This is really just in concept form. But the thinking is that this would actually require all the multilateral systems working together. What we found in Ebola is that it's not just the World Health Organization, the World Health Organization is playing a critical role, but also the World Food Program because there's also food security issues. UNICEF has been working on procurement and community based responses. You know, of course, our role has been partly in the funding, but just in managing logistics for example, many of the different organizations have been involved. The peacekeeping apparatus of the UN system, you know, people who have led that system are now working on logistics. I think that ultimately what you'll see is that the funding streams organized by the international financial institutions and it will be coordinated very closely with lots of different institutions. For example, you know, probably among the best organizations in managing epidemic outbreaks is the United States Center for Disease Control. They will surely be involved. The Pasteur Institute in France will surely be involved.

What we've recognized is that this is now something we have to take with deadly seriousness. You know, we need a rapidly dispersing financial instrument, we need almost with military precision we need to do exercises to make sure that the next time this happens we'll be ready. The point I'd like to make is that this is a slow-moving virus. If this were a Coronavirus, the virus that causes SARS, if this were a pandemic flu, it would be moving very quickly and what we know it would do is every weak link in the chain, every country that does not have these systems in place to stop these outbreaks would accelerate the epidemic even more. So I think we've got a very tough dose of the reality of what these outbreaks can look like. You know, a very wise man who was one of the leaders, Larry Brilliant, of the smallpox response said outbreaks are inevitable but pandemics, meaning epidemics that cover the entire world, are entirely in our control. This is not yet a pandemic, but we have to get moving to ensure that it won't become one.

**MODERATOR:** Right here in the front.

**QUESTION:** Good afternoon. My first question goes to the World Bank boss. You talked about the adverse human reaction to the Ebola virus, but don't you also think that some of the governments in those countries haven't done much to give some confidence to
businesses outside? Kenya Airways for instance was one of the last airlines to withdraw from the region of these countries because people think that they are not seeing this government doing that much. Apart from extending support to these countries what are you doing to ensure that these funds go to the right areas to contain the spread of these diseases? And my second quick question is about Ghana which was seen as a rising star in the sub region, now the economy is going through a lot of problems. What help are you willing to extend to Ghana to let it regain its status and also to ensure that authorities do the right thing so you don't come in again to help them? Thank you.

DR. KIM: Thank you. And, you know, I think Madam Lagarde and I will share the answer on Ghana because Ghana is doing some very positive thing and reaching out in I think important ways. So let me first start with the funds. The funds are being watched very, very carefully. And so for example for funds that need to go directly into the hands of health workers that are paid by the government that money goes directly into the government's bank account. For those funds that are going to UNICEF or WHO or other organizations that are working, we actually make direct payments to those organizations. So we are following it as closely as we can and we are doing everything we can to ensure that every dollar of this money is spent, you know, in an actually tackling the epidemic. Now we're moving very quickly. So for example from the day the Board approved $105 million, within 9 days it was in the bank accounts of the countries and the organizations that we're working with. That's been unheard of speed for us. It usually takes many months in order to move money but we did it that quickly. Now anytime you do that, you know, it is even more important that you're extremely, extremely diligent in following the funds and we're doing that right now.

In terms of Ghana, you know, I met with President Mahama very, very recently and he's very much aware of the kinds of structural reforms that he needs to undertake in order to get Ghana back on a much more vigorous growth path. And I think my own sense is that the President has really now understood the full nature of the challenge in front of him and he is very committed to undertaking the reforms that we know and that he knows that he's got to undertake. Now in addition to being very committed to the reform process, President Mahama also has been absolutely critical to the fight against Ebola because he's allowed Accra to be the staging center, meaning anyone who's going into these three countries is stopping in Accra. Now I think he is a fantastic example of how, you know, science and awareness trumped fear, and solidarity trumped any kind of temptation to just turn his back. So we're extremely grateful to President Mahama for his role in fighting this
epidemic. And we're also very encouraged that he understands the path toward reform and he's committed to it.

Do you want to anything, Christine? No?

**MS. LAGARDE:** No. Because you've asked me the question about Ghana this morning and I gave you the answers.

**MODERATOR:** Right here.

**QUESTION:** Thank you, John. My question is for Dr. Kim and Madam Lagarde. As both the IMF and the World Bank have identified that China has overtaken the United States as the largest economy in the world based on the purchasing power parity, do you see a kind of shifting of powers between the world’s major economies and do you see the increasing demand to reform the quota system in both the World Bank and the IMF? And the second question is about infrastructure as both organizations have emphasized the importance of infrastructure development. For China, too much dependence on investment. We are in the process of restructuring. Do you see it’s still necessary for China to push the infrastructure projects? Thank you.

**MS. LAGARDE:** On the measurement of the size of an economy, purchasing power parity is one way of measuring. And on that basis, China is certainly topping the economies. But if you look at other measurements, other economies are topping the list. And if you look at per capita GDP, clearly other countries are ahead. So to really get a sense of where the economies are situated relative to each other, you have to look at different measurements. You can’t just use one. GDP is the most frequently used one. It’s the market GDP. PPP is another one. Per capita GDP is another one, et cetera, et cetera. So that’s point number one.

Is there shifting powers between advanced economies and emerging market and developing countries? Of course, we’re seeing it in the numbers. If you look at the average growth of the advanced economies relative to the average growth in the emerging market and developing countries, yes. Is the quota reform critically important? Yes, absolutely, and we all know that. We need the U.S. to ratify the 2010 reform of the governance and doubling of the quota and we very much hope that this will happen before the end of the year.
DR. KIM: So, you know, China has made it clear that they want to shift from a growth strategy based on investment and exports to one based on consumption and services. And, you know, China had such high rates of investment to GDP, 46 percent, I think was the top rate. It’s not possible to just quickly reverse all of that. That would have very serious implications for the economy. So I know that China wants to step back, but it has to do it probably in a much more gradual way. You know, even with relatively lower growth rates, in the seven, seven and a half percent range, what we see so far is the continuing of the Chinese commitment to the reform process. We’ve been very engaged with them and our role has been one in which my predecessor wrote along with the Chinese NDRC a brilliant report called China 2030 that really laid out the steps in the reform process. And what we are seeing is that China’s actually following those steps. When I took over, the leadership was so happy with that process led by Bob Zoellick that they asked us to do the next study, which is on urbanization. And already China is beginning to do those things which they know they need to do as 300 million more people come into the cities and China becomes the first country in the world to have more than 1 billion city dwellers, which will happen soon enough.

And now we’re working with them on healthcare. Because once again, the idea is that their investment in people has to be of higher quality. And that they’re really thinking about how to upgrade their healthcare services so that the improved health outcomes also spurs growth.

So, you know, it’s a very complicated thing to move the largest country in the world down a different development path. So far the commitment of the Chinese government to that reform path has been very encouraging. And we look forward to continuing to work with them very closely and we’re also very encouraged that China has indicated that they’re interested in increasing their borrowing from us. You know, not that they need the money, but that we can work together for example on pilot projects utilizing new ideas from other countries about how to make the healthcare system more effective and efficient. We look forward to doing just those things with the Chinese government.

MODERATOR: Just have time for one or two. Right, here.

QUESTION: Thank you. Dr. Kim, you just talked about the Asian infrastructure investment bank. The other day you say the World Bank working closely with if it’s funded. Yet, New York Times today they report that the U.S. is actually opposing the idea and by saying that it’s an deliberate effort to undercut the World Bank. Since the infrastructure investment is
so important to the world development, so if I may, may I ask you what your reaction to the report and do you support the idea of forming the AIIB? Thank you.

DR. KIM: Well, so last year we spent about $24 billion on infrastructure. And the infrastructure was about 40 percent of our overall portfolio. And so but if you look at low and middle income countries, the estimation is that the infrastructure funding deficit is anywhere from one trillion to $1.5 trillion, so our $24 billion barely touches it. And if you put all the multi-level development banks together, it’s in the $40 to 50 billion range, again, not even close to meeting the need. Moreover, private sector investments and infrastructure developing countries actually went down from 2012 to 2013. So there’s no question that there’s a huge need for investment in infrastructure. And so I’ve been in very deep conversations with the Chinese authorities and they have assured me again and again they have no intention of making this bank a rival to the World Bank or if indeed, I just spoke with Vice Minister Shi today about how we can work even more closely together.

You know, we’ve been around for 70 years. We are full of experts who know how to do project preparation, implementation, who know how to do project supervision who, you know, the Bank invented the project cycle decades ago. So I think that our position is very clear. The enemy is poverty. And in order to fight poverty, you need to build infrastructure, especially in the low and middle income countries. And so any group that is focused on fighting poverty by investing in infrastructure is our friend. You know, my own sense is that the Asian Infrastructure Investment Bank will be one of the partners in the global infrastructure facility. It just makes sense.

Again, you know, we have to look at this from the actual problem of infrastructure deficit, and not from the problem of politics. We are non-political organization.

MODERATOR: I’m sorry. We’ll now have to conclude the press conference.