

Transcript of World Bank Group President Jim Yong Kim's Opening Press Conference at the IMF-World Bank Spring Meetings 2014

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World Bank Group President Jim Yong Kim
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Transcript

MR. DONNELLY: Hi, everyone. Good morning.

Thank you for coming.

My name is John Donnelly. I am Communications Advisor to World Bank Group President Jim Yong Kim.

As you know, this will be an on-the-record briefing. We'll start with Dr. Kim's statement, and then we'll take questions from you.

Thank you.

DR. KIM: Good morning, everybody. Can you hear?

I'd like to welcome you to the 2014 Spring Meetings of the World Bank Group and the International Monetary Fund. We are very happy to have all of you here.

We live in a time of great contrasts, when fewer than 100 people control as much of the world's wealth as the poorest 3.5 billion combined. But we also live in a time when many developing countries have the strongest growth rates in the world, which each year helps millions of people lift themselves out of extreme poverty.

Our economists estimate that roughly one billion people around the world live in extreme poverty today in 2014. This is down from an estimated 1.2 billion people in 2010.

This difficult-to-grasp number is falling steadily and surely, but reaching our twin goals of ending extreme poverty by 2030 and boosting shared prosperity won't be easy. Developing countries will have to grow at a pace stronger than any time in the past 20 years. To end extreme poverty by 2030, the vast rolls of the poorest--those earning less than \$1.25 a day--will have to decrease by 50 million people each year. Think about that number. To reach our goal, one million people each week will have to lift themselves out of poverty--that is each week for the next 16 years.

And we strongly believe that this can happen.

Economic growth has been vital for reducing extreme poverty and improving the lives of many poor people. But if this mass migration of people moving from poverty to prosperity is really to gather strength, we need growth that is inclusive, creates jobs, and assists the poor directly.

Growth of course remains critically important--responsible for three-quarters of the reduction in poverty numbers today. So when we look at the global economy today, growth in high-income countries is accelerating and in developing countries is growing as well, although less briskly than before.

Short-term risks to the global economy have eased. Increasingly, our worries are focused on the medium term. Our concern is that the pace of reform could be slowing in this post-crisis period. The focus must return urgently to the structural reform agenda. Even a small setback can result in leaving millions of families in destitution rather than escaping poverty.

Today we are releasing a report called "Prosperity for All" which clearly makes the point that tackling poverty requires understanding where the greatest number of poor live. But it also shows that we must concentrate where hardship is most pervasive. Many smaller countries have far higher shares of their people living below the extreme poverty line. In 16 countries, more than half the population is living in extreme poverty.

Reducing poverty in these places is as important as making progress in countries where the absolute number of poor people is much bigger.

We also must ensure that economic growth in the years ahead is sustainable and takes us off the destructive path of climate change. Climate change can reverse hard-won development gains and could stop our end poverty efforts completely. We can't end poverty unless we take serious steps to protect our planet.

In Tokyo 18 months ago, we promised to become a solutions Bank. A year ago in this same room, we announced our goal to end poverty by 2030 and boost shared prosperity. Six months ago, we announced our World Bank Group strategy for our twin goals. To implement this strategy, we needed to become fit for purpose and secure additional finance.

Starting in July, we will be working differently. We will have global communities of experts in all major areas of development whose work will be aligned to our goals and put us on the path to become a true solutions Bank.

Our focus will be on providing the best services possible in countries by keeping a strong presence in country offices and by providing global solutions to local problems.

There is good news in finance as well. Over the next decade, our annual capacity is expected to grow from \$45 to \$50 billion a year now to more than \$70 billion a year. This is possible thanks to a record IDA replenishment, our cost savings, our financial strength, and clients willing to pay more for our knowledge and services.

We are now more and more fit for purpose. This allows us to make a huge contribution to the global efforts to end extreme poverty in a generation. I am optimistic that countries and their partners will take it on, seize this opportunity and erase this stain of extreme poverty from our collective moral conscience once and for all.

Thank you very much, and I'll be happy to take your questions.

MR. DONNELLY: Thank you.

Please identify yourself and your outlet.

The woman in the red, back there.

QUESTION: Thank you.

Dr. Kim, my name is Sandra from China Business News.

I have a question on China's urbanization studies, the most recent report, the joint report by the World Bank and China's State Council. What are some of the key findings we have since last year's Annual Meeting?

My second question is when we talk about urbanization, a lot of Chinese people think about that there will be more and bigger buildings being built; so, how can China implement urbanization without causing overheating in the housing market?

Thank you.

DR. KIM: Thank you very much.

The China Urbanization Report was one that was requested directly by Premier Li Keqiang, actually, before he became Premier, and it follows on the study that we did several years ago, China 2030.

What we have learned from this report is that when the Chinese Government takes seriously the process of writing a report, the outcome is usually one in which the findings in the report are taken very seriously. If you look at China 2030, that was the first time that a paper written jointly by the World Bank and the Chinese Development Research Council said things like China will have to move its growth strategy away from investment in exports and more toward consumption and services; and competition for state-owned enterprises will be important. It was the first time that was said.

What we see now is that the reform agenda continues, and despite lower growth rates, we see a tremendous resolve to continue down that path of reform.

So, in shaping the Urbanization Study, we knew that whatever we wrote and whatever was in that document, the government would take very seriously and begin to move; and importantly, they have already begun to move.

So there are fundamental issues like, for example, the hukou system, which you know well, where you can only receive services where you were born. So what happens is that when people move to the cities, they can't receive services.

But what the report showed was that if you reform that system and provide services in the cities, you can actually increase economic growth--so, in other words, a reform of something that people have been calling for for a while will actually improve growth.

The other things that are in the report are things like land rights. Reforms clearly will help not only the process of urbanization but farmers. So the things that are in the report may have been thought of as revolutionary even four or five years ago, but what we know is that once the government takes these kinds of reports seriously and works with us, that these are reforms that are very likely to happen.

The other thing in the report is that there are already tremendous innovations in China in the building of cleaner, more livable cities. That's the goal. I think one of the reasons why Premier Li asked us to do this study--asked me directly, actually, to do the study--was that there is a very deep concern about pollution in the cities, for example, and there are a lot of strategies in that paper that suggest how to build cities that will be much cleaner over time.

So, on the one hand, I think we have in that report tackled many of the most important issues that China is facing. I think there is a clear path to reform.

Two, I think it is going to work, because I think the Chinese Government will take it seriously.

And the third and probably the most exciting thing about this report is we think it will actually help other countries thinking about how to build cleaner, more livable cities in their particular context.

MR. DONNELLY: Next question.

Ian?

QUESTION: Ian Talley, Wall Street Journal.

I am wondering if you can elaborate, or tell us how concerned you are about the potential for escalation of sanctions in Ukraine over Russia.

DR. KIM: Well, as you know, Ian, we are not a political organization, and we are forbidden to be directly involved in political matters. But we have been working very closely with the

Ukraine, and we watch carefully as I think talks are continuing, and our role right now is to maintain very strong relationship with both the Ukraine and Russia.

So, in Ukraine, we have put together a \$3.5 billion package, about \$1.5 billion of which will be provided in direct budget support. We are working very closely with the IMF and are extremely encouraged by the negotiations and work that the IMF is doing on the ground, and we suspect that the \$1.5 billion that we will put directly into budget support, part of that will be linked to the IMF's financial stabilization package, a very early infusion of cash to stabilize the economy. But then, afterward, the rest of it, the rest of the \$2 billion, will be focused on infrastructure projects, will be focused on direct support especially for the poorest, health and social welfare-type programs.

So we are right there, working with the Ukraine and hoping to help it down its path and get past this crisis period.

At the same time, we maintain a very good relationship with the Russian Government. We are concerned about the impact of the Ukrainian crisis on growth. If the impact is relatively mild, and if the crisis is relatively short, still we have reduced our growth expectations down to about 1.2 percent--1.3 percent, excuse me--1.3 percent for the year, which is about half of what our previous estimation was.

On the other hand, if the crisis goes longer and has a deeper impact, we feel that the Russian economy could contract as much as 1.8 percent this year.

So this is a very serious issue for Russia, a very serious issue for its growth prospects, so we simply urge all of the parties to continue with negotiations and find a peaceful means of moving forward.

MR. DONNELLY: Okay. Down here.

QUESTION: Hi. My name is George Wiafe, from Ghana.

What should emerging markets like Ghana be doing, looking at the effect of U.S. tapering? Already our currency has gone down by a little over 18 percent; growth is likely to suffer as well. What should we be doing so that whatever happens in the U.S., the shock is minimized on a country like Ghana?

DR. KIM: Well, there is no single piece of advice that I can give, but if you step back and look at developing countries overall and ask a fairly straightforward question--that, once the

announcement of taper happened in May, what percentage of developing country economies' currency depreciated, and which ones actually went up--it turns out that about 62 percent of developing country economies' currencies actually appreciated in that period of time.

So the impact was not the same across all the developing world, and what we see is that countries that have greater imbalances, greater weaknesses--for example, countries with high current account balances, countries with high debt ratios that were not well-managed, countries that had high levels of debt in external currencies--these countries had the biggest problem with depreciation in currency.

So the advice to Ghana, as to most of the world, is to get the fundamentals right; really think about debt management, really think about your current account balances, build back your fiscal buffers, enact fiscal policies that are prudent and appropriate, look at your public sector spending so that it is more focused and effective.

Those are pretty similar stories throughout the developing world, and it seems that the market is picking on countries with these weaknesses in a very focused way; so the more that countries focus on their weaknesses, the better-off they will be.

Now, our hope is that the taper will be gradual, and right now, indications seem to be that everyone intends, including the U.S. Federal Reserve, to make this as gradual as possible. Right now, the inflow of capital makes up about 4.6 percent of developing country budgets, 4.6 percent of GDP of developing countries. What we hope to see is, if there is a gradual tapering, that that number will go from about 4.6 percent of GDP to 4 percent of GDP by 2016. If that happens in a gradual fashion, which we hope it does, the growth in the first world economies--the growth in the U.S. economy especially but the growth in Europe and Japan as well--should offset that decrease in capital flow so that developing country economies can continue to do well.

Overall, the story of developing economy growth is still a very, very positive story that, over the last six years since the beginning of the crisis, still, the growth numbers are better than anyone had expected. Developing country growth was what kept global growth up especially during the most difficult years. And I think that part of the optimism--cautious optimism, if you will--is the fact that now that the U.S. is growing, Europe is growing, and Japan is growing, the emerging market economies have gone through some turbulence, but they seem to also be on a very good path.

For example, at the end of January, there was a little blip, and there was a relative outflow of capital from the emerging markets, but that actually reversed and recovered by March.

So, even though there are these little blips, we think that the outlook for emerging market economies is still very good. So the message is really get back to fundamentals, tackle the basics, and if you've got the fundamentals--if the fundamentals are in good shape--then the market will recognize that and punish Ghana less.

MR. DONNELLY: Here, in the front.

QUESTION: Hi. Alex Brummer, from the London Daily Mail.

There has been quite a debate about the 0.7 percent of GDP which should be devoted to foreign aid at a time of great austerity in some of the advanced countries, and people wonder whether it is time to abolish which was rather an artificial number which was fixed upon in the 1950's, and instead of focusing on the quantity of aid to focus much more on the quality of aid and whether we ought to remove that 0.7 percent target.

DR. KIM: Thanks, Alex.

Let me just say for your readers that I think that Prime Minister Cameron's and Finance Minister Osborne's decision to continue with the 0.7 commitment was extremely courageous and extremely welcome.

We work very closely with DFID, and DFID has continued to grow in both stature and reach, and their support has been critical both to us and to the countries that they impact directly.

Right now, all of foreign assistance--the entire package of official development assistance--is about \$125 billion, compared to the needs, which are so much greater than that. So, Africa alone has \$100 billion a year in infrastructure needs; the BRICS countries are talking about a \$4.5 trillion infrastructure deficit over the next five years.

So, just in the area of infrastructure, there is no way that official development assistance can ever meet those needs. What that means is that every dollar of official development assistance is needed, and every dollar of official development assistance has to be used in a way that will bring in other players into the game.

I think the big story for economic development in the years ahead is that we will never be able to accomplish goals like ending extreme poverty unless the public and private sectors work much more closely together.

So, if you look at those kinds of infrastructure needs, for example, in the BRICS countries, we are working very hard to make sure that every dollar of our lending is focused in some way on building a foundation for private sector companies to get involved. I think we have a very interesting situation right now where there is a lot of money more or less sitting on the sideline--trillions of dollars that are yielding very low returns--and at the same time, there are multiple, we feel, very bankable, projects in the developing world that could yield much better returns for this capital.

The task, then, is for us as a public multilateral organization to structure those deals so that not only does the infrastructure get built but that investors receive a return. That is really going to be the story of the future.

So the 0.7 is critical, and if we can keep that up, that's really where--we are going to have to really use that money to again build the foundation so that the development of the future, which will be much more public-private, can really take off.

So, let me just--and please quote me on this--let me register my own great thanks not only to Prime Minister Cameron and his government but to the people of the United Kingdom. I know there is a hot debate, but I want them to know that their generosity is having a huge, huge impact out in the world, and DFID is very much focused also on this idea that the development of the future is going to have to be multifaceted and is going to have to really think about how these dollars really get us to the big, transformative outcomes that we know are possible.

MR. DONNELLY: Okay.

The woman in the far back.

QUESTION: Dahlia Conicoven [phonetic] for AP Kuwait TV.

The major risks facing the global economy with respect to the Middle East--have any specific steps to help the staggering economies there been discussed?

Thank you.

DR. KIM: As we look across the Middle East, we have to be mindful of noting and applauding the successes where they happen. With the advent of the national dialogue in Yemen, I think we were very encouraged to see that happening in a country that is facing so many difficulties.

I recently met with the Prime Minister of Tunisia, and the passage of a Constitution in Tunisia, I think, is a source of great hope. As a result of the really impressive work that that government has been doing, we have increased our lending to \$1.2 billion a year. That compares to a rate of about \$300 million a year before the Tunisian Spring and \$600 million a year afterward. So we are doubling our lending to Tunisia.

We continue to marvel at the generosity of the governments and the people of Lebanon and Jordan continuing to accept refugees from Syria despite enormous hardship.

So our strategy is focused on helping those governments especially, and we are working in many, many of the countries in the Middle East, but we are especially focused on helping those governments that have shown a very strong commitment to reform, and we are also focused on helping as much as possible the countries that have done so much to bear the burden of the crisis in Syria.

So we continue to be very active. We are looking for solutions wherever we can. The development of the private sector and the creation of jobs is critical. Tunisia still faces a problem of having a very high percentage--over 50 percent--of college graduates being unemployed. We need to figure out how to spur growth in the private sector so that jobs can be created.

MR. DONNELLY: In the far back, the person who has had his hand up the whole time.

QUESTION: Hello. My name is Ahmed Karki [phonetic] from Egypt, and my question is about the country.

Kindly can you comment on the World Bank's programs in Egypt now in the light of transition and the upcoming presidential elections?

DR. KIM: We have had a very extensive program in Egypt, and much of it has been focused on helping to provide basic services.

There was a time when we had stopped our disbursements, but we have continued them, and we watch with great concern as the political situation unfolds, but the vast majority of our work is focused on helping the poorest, on helping to provide basic services. And we want to continue to do that. We are very happy that we are able to continue disbursement, but we are following the political situation very carefully, and we hope it goes to a good resolution, perhaps even something closer to what Tunisia has been able to do.

Anyway, the point is that because so many of our programs are focused on providing basic services, we will continue as much as possible.

MR. DONNELLY: The woman right here, two in.

QUESTION: Good morning

[Interpreted from Spanish]: May I speak in Spanish?

In Paraguay, the statistics from the government have reduced the level of poverty four points over the last few years and 10 percent in terms of extreme poverty. What would you recommend to the government, and what should the people do who have emerged from extreme poverty, and how will the World Bank continue to support Paraguay specifically?

DR. KIM: It's a great question, and it is one that many countries in Latin America face. So, for example, in larger countries like Brazil and Mexico, there has been great success through so-called conditional cash transfer programs, Bolsa Familia in Brazil and Oportunidades in Mexico. They have been very effective in lifting especially families, women and children, out of poverty.

But then, the next great question is how can those programs then lead to these women and these families entering into the formal labor market. So the big issue is job creation. And it is the same, I think, throughout Latin America.

We work very closely with Paraguay, so issues ranging from making sure that the quality of public spending is as high as it can be, and then also doing what needs to be done to create a business environment where, again, the private sector can grow, and those jobs can be created.

Our report from two years ago, the World Development Report, pointed out that in developing countries, over 90 percent of all jobs are created in the private sector, and we

have been especially focused on helping small and medium enterprises grow, locally-owned small and medium enterprises grow and create jobs.

So that is really the issue. It is an urgent issue all over the world, job creation, but when you have success in reducing inequality and lifting people out of poverty, you have to really focus on making sure that they can have the good jobs that everyone desires.

MR. DONNELLY: We have just four more minutes, so we'll take one, possibly two, quick questions.

In the far back, please.

QUESTION: Thank you.

Philip Inman from The Guardian in London.

Could you explain why the Bank is increasing fees for its expert advice to countries when those countries, I assume, can ill afford to pay?

The other is can you answer the criticism from the Bretton Woods Project that the Bank has wasted billions of dollars on paying financial intermediaries?

DR. KIM: We have increased fees for a very specific group of countries. One of the things that has been part of our change process that has been very important is that without a capital increase, we have been able to increase our capacity to lend more than at any time in history. So, in other words, this past change in the financial situation of the World Bank Group as a whole is the largest increase in history, and we have done it without a capital increase.

The way that was done was that because of demand, Brazil, China, India, Indonesia and Mexico have all asked for us to increase what is called our single borrower limit. We had a limit as to how much any single country could borrow, but we were able to increase that limit for those five countries by \$2.5 billion.

So the increase in fees is an increase over--in other words, all the money that will be loaned that is above the single borrower limit, we have increased the fees by 50 basis points.

In terms of direct advice that we are giving, especially to the poorest countries, that has not been increased. And of course, our IDA, which is the concessional loans for the poorest countries, are zero interest with a 40-year maturity, essentially. That has not changed. And for some countries, especially the very, very poorest, we still provide grants.

So the fees have only changed for a very small percentage of countries, and we are very grateful, because they had to approve that in our Board, and as you can imagine, that was not an easy conversation. But we take this as a vote of confidence that despite the increased cost, these countries are ready and willing to pay it because they like what they get from the World Bank Group.

In terms of financial intermediaries, it has been one of the strategies that the IFC has used in terms of making access to finance a reality. So I can tell you that the vast majority of the financial intermediaries we invest in are local banks, and this is our way of making financing available for even the poorest households and businesses.

We are continuing to think about ways that we can improve access to finance, so just to give you an example, in China, in India, we have invested in financial institutions that are making loans available to even extremely poor urban dwellers. I visited an apartment building in one of the cities in Uttar Pradesh, the poorest State in India. An apartment complex had been built because of financing made available by one of our financial intermediaries.

In Chengdu in China, one of our financial intermediaries had built a branch of a local bank that was specifically tailored to women to ensure that women had greater access to financial services.

So the problem of poor people in poor places getting access to finance is a huge problem, and it is one of the problems we have to tackle if we want to end poverty and boost shared prosperity. So this is the mechanism that we have been using.

If there are problems with particular financial intermediaries, I want to know about it. And when there have been problems, I have been very clear with my own staff--there are going to be problems; there are going to be problems that arise, and when they do arise, we have to face it directly and make amends as needed and continue to go forward, because this problem of lack of access to capital at that level is a major one, and we are trying to solve that problem.

MR. DONNELLY: Okay. We have one minute--quick question, quick answer.

Right here.

QUESTION: Thank you.

I am [unclear] with Norway Business Daily.

I was wondering if you could say a few words on climate change, since the IPCC is releasing its final report this weekend. UN's Climate Chief, Christina Figueres, has said that up to three-fourths of all [unclear] resources should remain in the ground if we are to meet the 2-degree Celsius target. How would that affect the developing nations?

DR. KIM: Well, I have been very clear on the importance of climate change. I have been very clear also on the need for a very clear, robust, practical plan to tackle it. At the World Bank Group, we are focusing on five main areas.

The first and most important one and the one that is the most controversial is establishing a price on carbon, and we continue to work with many different groups on this. There are some very promising programs. There is a carbon trading scheme in China that is taking off. We continue to work with countries and regions that are trying to build those kinds of carbon trading programs, but it is difficult.

Another very clear issue is that we have got to help countries remove fuel subsidies. We share that very strong conviction with the IMF. It is both a drag on public budgets, and it is also very bad for the environment but also, politically, very difficult to get rid of.

We also are also focused on making long-term financing available for renewable energy--again, with China, building cleaner and more livable cities. That is a fourth area that is critically important.

And we think we can make tremendous improvements in agriculture that both increase productivity and put more carbon into the ground.

You know, we are quickly coming to the point where we are not going to be able to keep global warming below 2 degrees Celsius, and warming to 2 degrees Celsius is going to have major implications. Things that we have pointed out are that 40 percent of the arable

land in Africa will be gone at 2 degrees Celsius; Bangkok could very well be underwater at 2 degrees Celsius.

So this is really serious business, and I think the most important thing for us now is to find ways forward, tackling things like--everybody wants to live in cleaner cities, everybody wants more productive agriculture, everybody wants to be able to have access to finance for renewable energy; these are things that we can all agree on. Other things, like fuel subsidies and carbon taxes, are much more difficult, but we have to tackle them anyway.

So we are being very practical, very focused. We are looking at our entire portfolio to make sure that we are doing everything we can to battle climate change. But this is just one of those things where--I think the psychologists call it "cognitive dissonance" --we have talked ourselves out of taking it seriously, but in 10 years, in 15 years, when battles break out because of lack of access to water and food, we are all going to be sitting there, thinking: Gosh, why didn't we do more back then?

One of the things that I am trying to do, really, thinking about my own children, is to not have any regrets in 10 years; to do as much as we can today so that when that moment comes, we will at least be able to look back and say we did everything we could.

But I am extremely concerned about it. I don't think the world is taking it seriously enough yet.

MR. DONNELLY: Thank you very much.