Transcript: Spring Meetings 2013 Opening Conference

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World Bank Group President Jim Yong Kim
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Transcript

RICHARD MILLS: Well, thank you all for coming to the meetings of the World Bank and IMF. President Kim will give a short opening statement, and then we will be happy to take your questions.

If I could please remind everyone if their cellphones and pagers could be off. And also please identify yourself and your news organization when you're called on.

President Kim.

DR. KIM: Thank you very much.

Thank you for coming to the press conference which opens the 2013 Spring Meetings of the World Bank Group and the IMF.

First, let me express my deep condolences to family and friends of people who died or were wounded in the attack in Boston earlier this week, a city which I have spent much of my adult life in as both a student and a professor.

Just a couple of weeks ago, I outlined an ambitious agenda for the global community that called for a two pronged approach for a world free of poverty. The first is virtually ending extreme poverty by 2030. The second is promoting shared prosperity by fostering income growth of the bottom 40 percent of the population in every country. And for that second goal, we also mean sharing prosperity across generations, and that calls for bold action on climate change.
I have no doubt that the world could end extreme poverty within a generation, but this will be much harder than most people realize. It is far from a given. It will take ingenuity, focus, commitment, and visionary leaders. But if we succeed, we will have accomplished one of humankind’s most historic accomplishments.

Let’s take a look at the situation in the world today. More than four years after the start of the financial crisis, high income countries continue to struggle with high unemployment, weak growth, and economic fragility. The good news is that, taken as a whole, Developing Countries are doing relatively well, with growth expected to reach about 5.5 percent this year. This should strengthen to just under 6 percent by 2015. Indeed, Developing Countries are accounting for more than half of global growth.

But too often we lose sight of the fact that this overall story hides a wide range of outcomes across countries. In Africa, about a quarter of the countries grew at 7 percent or higher last year, and a number of them are among the fastest growing in the world. In East Asia and the Pacific, output is expanding rapidly amid fears of overheating and asset bubbles.

But growth in several major middle income countries including Brazil, India, Russia, and Turkey, has slowed, in part, because of unresolved bottlenecks in these economies.

Elsewhere in the developing world, recovery has been more elusive. This diversity of experience among Developing Countries means that there is no one size fits all prescription for policy, and external developments can no longer be seen as the principal source of problems. Now more than ever, solutions need to be found in domestic macroeconomic and structural policies that address distinct conditions in individual countries.

If we are to end extreme poverty within a generation, we’ll need at least three things to happen:

First, the high growth rate in the developing world over the past 15 years must accelerate.

Second, growth has to translate into poverty reduction and job creation and it must be inclusive to curb inequality.

And, third, we must avert or mitigate potential shocks such as climate disasters or new food, fuel, and financial crises.

In particular, doing better on growth means doing more of the kinds of reforms that have underpinned the strong Developing Country growth for past 15 years. That means
eliminating bottlenecks; additional investment in infrastructure; and, to ensure that the poor participate in the benefits of growth, much greater investments in education and healthcare.

As we move ahead, we must also address climate change with the plan that matches the scope of the problem. Climate change is not just an environmental challenge. It is a fundamental threat to economic development. Unless the world takes bold action now, a disastrously warming planet threatens to put prosperity out of reach of millions and roll back decades of development and poverty reduction.

At the World Bank Group, we are stepping up our mitigation, adaptation, and disaster risk management work. Some 130 countries have asked the World Bank for assistance in climate related work.

Also, as we move towards these poverty goals, we must be far more effective in fragile and conflict affected states. We now hope to shift more funding towards fragile States under our concessionary lending fund, the International Development Association, or IDA. If we hope to meet our goals of ending poverty and boosting shared prosperity, we must be successful in fragile states. Next month, UN Secretary General Ban Ki moon and I will travel to the Great Lakes region of Africa. I believe that the combined efforts of the United Nations and the World Bank Group on the political and security fronts can make a major difference in moving fragile states out of fragility.

Thank you, I will now take your questions.

RICHARD MILLS: Yes.

QUESTION: Thank you very much, and good morning, everyone. Ang Ting [ph.] from China Business News.

I have two questions: First, as we know, BRICS and countries have reached a deal to establish a BRICS Development Bank that will rival the Western-backed institutions such as the IMF and the World Bank. So, what do you think of the prospect of this BRICS Bank and its future relationship with the World Bank and the IMF?

And the second question is: What do you think of China’s weaker than expected GDP growth and also its increasing inequality issue?

Thank you very much.
DR. KIM: Thank you. Thank you very much.

You know, I visited all of the BRICS countries, and in each of them there are huge needs for infrastructure in the short term, medium term, and long term. So, for example, just in India, one country, the Prime Minister and the Minister of Finance said to me that over the next five years they have a $1 trillion infrastructure deficit. About half of it, they think, can be met with public resources, but then half of it will also have to be met through private sources. So, every single one of the BRICS countries has an enormous infrastructure deficit that simply can’t be met by a single institution, certainly not the World Bank in and of itself.

So, for us, the BRICS Bank is quite a natural extension of the need for more investment in infrastructure, and so we would welcome it. We work with many development banks, but I would point out that the World Bank has been around for 66 years. We have 66 years of experience in building infrastructure. We have knowledge that cuts across all that have been developed to working with all 188 member countries. And so our sense is that whatever other banks are built, one, there is plenty of infrastructure that needs to go around, and our sense is that they would want to take advantage of the knowledge that we have.

I think everyone was disappointed at the lower projections in China, but we've worked with China on a 2030 report that looks very specifically at the strategy going forward, and our own sense is that the Chinese leadership is laser focused on doing those things that will build the foundations of their future growth. Moreover, when I visited China, the very specific thing that they asked me about was to work with them on urbanization. It's a huge issue.

So, my own sense is that the Chinese Government is looking forward in a way that will be very helpful for them in not just looking at short term changes. I mean, these numbers go up and down all the time.

The key for China is to think about how their growth is going to be shaped in the future, and some of the commitments they've made, having a more consumption orientated growth, looking at how they're organizing their cities so that they're both cleaner and more efficient. These are the kinds of things that every country has to do, not just sit around and react to the short term fluctuations in growth figures, for example, but think about the
medium term and long term and make those kinds of investments that are necessary to ensure growth going forward.

**RICHARD MILLS:** Yes. Right here in the second row.

**QUESTION:** Larry Elliott of *The Guardian*.

You said that 130 countries had asked the Bank for help with climate change and you've stepped up work on mitigation and adaptation. How much money has the Bank actually allocated so far to these 130 countries itself for climate change work?

**DR. KIM:** So, our work on climate change, we’re doing lots of things. The first thing, Larry, is that, as you know, we’re trying to come up with a plan that is equal to the problem. And that plan has to be huge. It has to really tackle issues like carbon markets and a stable price on carbon.

This is a difficult issue. There is no way that the Bank could do that on its own. It requires a lot of agreement across the board. And there are other issues like fossil fuel subsidies which we know we have to remove, but they are incredibly difficult politically.

So, for example, in just one area, we spent $9 billion on agriculture last year, and what we are trying to do is ensure that every single project we do is focused on what we call "Climate smart agriculture," and that is ensuring that we do things like help to recover degraded lands, help to increase yields by bringing in varieties of crops that quite literally have longer roots and take more carbon and put it back into the earth.

Sustainable energy for all. We’re focused on trying to find a way of providing energy for Africa, for example, that will use sustainable sources of energy. And just in our own portfolio of energy, we've gone from 22 percent focused on renewable energy sources or sustainable energy in 2007 to double that number. We're closer to 50 percent in 2013 in terms of the proportion of our portfolio.

So, we're making large investments in areas like sustainable energy, agriculture -- looking, for example, at how to build clean cities. Those are things that we do all the time and we're doing everything that we can to be more climate smart in every one of those activities.

And we're also trying to contribute to these larger debates about stable price on carbon and fossil fuel subsidies.
So, it's hard to give you an exact number, but it's many, many billions of dollars that we're putting into things like sustainable energy, climate smart agriculture, and clean cities.

**RICHARD MILLS:** First row.

**QUESTION:** Good morning. My name is Gina [unclear] from Peru.

I wanted to ask you about America; South America, specifically. We have high levels of poverty, and if you can say something about your vision about Peru.

**DR. KIM:** Yes. Peru is a country that I know very well. I have worked there quite intensively since the early 1990s, and I have to say that the achievements in the Peruvian economy have been very impressive. I know that one of the concerns is, for example, to make sure that people who are living in the selva, in the jungle and the highlands are able to participate in the economic growth that Peru has experienced.

I've, of course, met with and know President Humala very well, and I know that the Government is committed to improving the quality of services that go to the poorest of Peru.

Now, because of natural resources and a growing economy, there have been many people in Peru who have done very, very well. And for Peru, we think that our twin goals of ending poverty and building shared prosperity are especially appropriate. And what we're going to be working with Peru to do is to try to improve the delivery of services, especially health, education, social protection, to marginalized populations, people living in the slums, people living in the jungle, people living in the highland regions.

So, it's a middle income country, it's been doing very well, but there is still much to do, and we look forward to working closely with the Peruvian Government in the future. In fact, I will be visiting there this summer.

**RICHARD MILLS:** Yes, to the gentleman in the back.

**QUESTION:** Hi, my name is Jeremy Tordjman and I work with AFP.
I would like to follow up on the first question. I wanted to know, don't you fear that the World Bank could be outpaced by institutional countries that impose less conditions than the World Bank Group before granting loans?
And secondly, are you worried about the side effects of the monetary policies on some Emerging Countries?

Thank you very much.

**DR. KIM:** So, in visiting every single one the BRICS countries, I did not experience even slightly a diminishing of demand for our services.

You know, it's true that the BRICS countries, many of them are extremely well financed and have money, but they continue to come to us for very specific reasons. For example, the Chinese came to us and asked us to help with urbanization. In other words, they appreciate that we have been involved in building cities for 66 years, and I think there's still no question that the quality of our experience, the quality of our knowledge, the our ability to help them actually deliver on their promises to their people is what keeps them coming back to the World Bank Group.

We have very specific comparative advantages. Knowledge is one of them.

Another huge comparative advantage that we have is that we work across sectors. The World Bank Group is made up of IDA/IBRD for the public sector, but we also have IFC, the International Finance Corporation, that works in the private sector, and it's become a third of our business; it's grown tremendously.

And the figure I mentioned about India earlier, that half of the investment in infrastructure has to come from the private sector, we can work across sectors public, private and even provide political guarantees through the Multilateral Investment Guarantee Agency that no other organization we know of could do.

So, I really have no doubt in my own mind about our continued relevance for a very long time. In fact, that's precisely the news that I'm getting back from every single one of the BRICS countries. There is an increasing request for our involvement, not a decreasing sense of demand for our environment of our services.

What's the second question? What was your second question?

**QUESTION:** Policies.

And follow up on the first one, what about the conditionality?
**DR. KIM:** You know, the conditionality, we think that our safeguards, we think that our close, close attention to whether corruption is happening or not, we think that our attention to the quality of the design of the project is a great asset, and this is exactly what's happening.

It's not that there are many other groups who are making investments and making loans in Developing Countries we know that and rather than them trying to run away from us, what we see is quite the opposite. They're coming to us and asking to work with us, asking us to do parallel investments because they know that if we're involved, we're going to pay attention to things like whether people are being displaced; whether women are involved in projects; what kind of environmental impact these projects might have.

We see the safeguards, we see our careful attention to detail, we see our attention to corruption as assets. As more organizations, countries, funds go out and begin lending in Developing Countries, my own sense is that they're beginning to understand the value of this kind of careful approach that has been developed over decades of working in these countries.

**RICHARD MILLS:** Yes, right back in the center section. Thank you.

**QUESTION:** Thank you. [unclear] of the China Business Network.

Dr. Kim, a question on China's urbanization. What is the status of the cooperation between the World Bank and the Chinese Government, China's organization?

And you were in China last year. What is your assessment on the Chinese urbanization development, and what is your policy, and why?

Thanks.

**DR. KIM:** So, when I met with Premier Li Keqiang, he had been so happy with the cooperation that had led to the China 2030 Report that he immediately asked to do another one. And I said to him, "Well, we're very happy to do this; this is an important issue. We think that China's experience in urbanization actually can be very helpful to many other countries, and so we wanted to develop a report that not only will be helpful for China but for other countries in the world, and I suggested it might take two or three years, and the Premier Li said, "We want it in nine months."
So, we're actually going to have an interim report ready in the summer, in June or July, and then we will have a report later in the year. But we have a huge team working on it, which is our own urban development specialists, urban development specialists from around the world, and also many Chinese urban development specialists.

My understanding is that there are many innovations that happened in China, but because China is such a large country and things are happening so quickly, China hasn't had time to take stock of all the things that are working, the innovations that have worked, and moreover things that haven't worked so well. And what we're bringing to the table is our experience in urbanization across the world.

You know, I was just in New Delhi, and it's quite remarkable that all of the buses and even the little motorcycles that carry people around are run on natural gas. In New York City, Mayor Bloomberg had said that they were going to reduce their carbon footprint by 30 percent by 2030. They're going to achieve that goal by 2017.

So, we come into this project very hopeful that cleaner cities can be built and that tremendous progress can be made. We will have something ready, and our hope is that not only shape what China does as an organization but could have a very positive impact in the entire world.

RICHARD MILLS: Yes, to the gentlemen right in the front.

QUESTION: Andre Huey from Radio 98.9 in St. Kitts and Nevis in the Caribbean. The Caribbean economies, and Caribbean countries are quite particular in that they are small economies are on small countries. They're fragmented because they're islands. What is the status in terms of poverty levels in the Caribbean in general and what are some of the concerns that we should have in the region?

DR. KIM: Well, there are let me start by saying that every single country in the world is facing the issue of understanding the extent of their public expenditures, making sure their public expenditures are having the impact they are intended to have, and then making tough decisions to cut back or reapportion their public expenditures.

Also, every country in the world is facing the issue of trying to then also make the kinds of investments that will provide the foundation for the growth of the future.
One of the countries we're especially focused on right now is Jamaica, and as I'm sure you know well, we've just come to an agreement about a program with the IMF for Jamaica. Jamaica has an especially tough situation to face. Their debt to GDP ratio is very high, and they're facing some very difficult decisions that they simply have to make.

So, our own sense is that we need to do everything we can to make sure that Caribbean countries, especially Jamaica, have all the support they need from us, technically and otherwise, to make these difficult decisions about expenditures, and then not wait for growth to recover in high income countries but start making the investments that they need to make in the areas that will provide the foundations for growth. They've got to invest in infrastructure, they've got to continue to invest in health, education, and social protection programs, and they've got to improve their business environment so that businesses can grow and jobs can be created.

These are difficult decisions for everybody, and especially difficult in Jamaica, but we were happy to come up with an agreement, and we're going to be paying close attention to do everything we can to ensure that Jamaica is successful.

**RICHARD MILLS:** Yes, to the gentleman right here. Could you wait for the microphone, please.

**QUESTION:** [Unclear] Tunisia.

Mr. President, what do you think about the economic and social situation in the Arab Spring countries, especially in Tunisia and Egypt?

**DR. KIM:** We were all, of course, inspired by what happened in your country, in Tunisia; and, as you know, I visited Tunisia not too long ago.

Once again, let me reiterate, Tunisia has many of the same problems that every other country is having. It's an especially difficult situation in Tunisia because for so many years there was very little trust in the Government. The Government and the political leaders were very involved in the private sector, so there was very little trust that the rules were fair or that it was worth investing in the private sector.

There are other problems, for example, like the fact that I learned that in Tunisia the highest rates of unemployment are among college educated young people.
So, there is a lot of work to be done. We are as committed as we could be to providing the kind of technical support and financing that's needed in order to get Tunisia and other countries through the next stages.

We're following Egypt very carefully. We're in extensive talks with them about supporting various projects. Egypt has a special problem in the sense that their subsidies make up 8 percent of GDP. And so we feel that one of the things that Egypt could do in the process of working with us, with the IMF and the World Bank Group, is to really look at whether they could cut back on some these, especially fuel subsidies. I don't think we want to touch the food subsidies, but specifically work on removing some of those fuel subsidies so they could use that money for doing other things that would truly make Egypt more inclusive, and again lay the foundation for growth in the medium and long term.

The Arab countries all have their unique challenges. We were very happy that we could host a pledging conference for Yemen, for example, that yielded many more a lot more pledges than we had expected even going in. But, of course, the challenges in Yemen are immense.

The point that I want to make, though, in thinking about the Arab Spring countries is that working in this so called "fragile countries" and these countries are very fragile right now because of all of the upheaval; this is our specialty at the World Bank Group we want to be sure that we are as effective as we possibly can be in working in those kinds of countries.

As I mentioned, the Secretary General and I are going to the Great Lakes region. We'll be going to the Sahel together. I just returned from Afghanistan and visited Tunisia earlier on.

The World Bank very specifically, especially through IDA, our fund for the poorest countries, is committed to staying the course, to remain committed to the Arab Spring countries, to countries of the Great Lakes region, to the Sahel, everywhere where there is fragility, our commitment is to stay there and continue to work on these problems, no matter how complicated they are.

And the challenges in the Middle East are, indeed, extremely complicated, different from country to country. Our commitment is to stay with these countries and continue to help them sort through the problems one by one.

**RICHARD MILLS:** Okay. I think we have time for one more question. We go to you, yes, please.
**QUESTION:** Good morning. I'm Angela Morales from The Economist in Mexico. I want to know what you think about the Mexican momentum reform and if you recall

**DR. KIM:** Mexican...

**QUESTION:** Momentum of reforms. And push up our economy or GDP.

**DR. KIM:** Well, Mexico, of course, is one of the most important economies in the Americas, an important trading partner for the U.S., and we were very encouraged to see how quickly Mexico responded from the economic crisis, and you would think that it would be especially severe in Mexico because of their close integration with the U.S. economy.

I had a good relationship with the previous government and have also a very good relationship with this government, and we think that Mexico is doing so many of the right things in ensuring growth in the medium and the long term.

Moreover, Mexico has been a leader, for example, in addressing climate change, and so their attention to the environment in Mexico, the focus that Finance Minister Videgaray [ph.] has on inclusion we think is extremely encouraging.

The Mexican experience with Progresa and Oportunidades, the conditional cash transfer programs, along with the Brazilian experience, has been the model for the entire world. We think that message is very important. Mexico has been ahead of the game in terms of focusing on inclusion, on what we would call "shared prosperity," and our view is that that focus over many years, and also their very prudent macroeconomic approach, is going to lead to solid growth for Mexico going forward, and we're going to do everything we can to be supportive and a good partner to Mexico along that path.

**RICHARD MILLS:** Thank you very much.