

# Press Conference with WBG President Jim Yong Kim, S.African Finance Minister Pravin Gordhan, and WB VP for Africa Makhtar Diop

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**World Bank Group President Jim Yong Kim, South African Finance Minister Pravin Gordhan, World Bank Vice President for Africa region Makhtar Diop  
Press Conference  
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## Transcript

**MODERATOR:** Good afternoon. Thank you all for coming. My name is Sarwat Hussain] from the World Bank Africa region communications. We will begin the [unclear] from Minister Gordhan followed by Mr. Jim Kim, President of the World Bank Group. The press conference is on the record, so let's get started. Mr. Minister, you have the floor.

**MINISTER GORDHAN:** I thought we had some speakers [laughter]. Well, good afternoon to all of you, and it gives me great pleasure to, in your presence, welcome Dr. Kim to South Africa and to congratulate him on his appointment and, more importantly, to thank him for making South Africa and the African continent one of the first destinations of your overseas visits as the President of the World Bank.

In the course of the morning, the President of the World Bank has met with the Treasury team. He has met with about eight Ministers and Deputy Ministers, who gave him insights into our aspirations which are contained in the National Development Plan, the kind of work that we are doing and some of the challenges that we face in basic education, in health, in

water, in environment, in rural development, in science and technology, and, in particular, innovation, and with respect to small businesses in South Africa, including the infrastructure program that the President is championing in this country.

The World Bank is a very important multilateral institution, and we, in our discussions, have confirmed our faith mutually in the multilateral system, recognizing at the same time that for the multilateral system to be inclusive and for it to be fully representative, it, itself, needs to transform itself so that it truly can say that it has democratized.

We know that democratization processes are long processes generally, that we are very happy with and impressed with the vision that Dr. Kim has for the World Bank and, in particular, for his role. We fully support his stance on social justice, the importance of eradicating poverty, and the importance of inclusive growth across the globe. Today the world is challenged, whether we are in developed countries, emerging markets, or middle-income countries like South Africa, by the crucial question of, or co-questions of inclusive growth, of employment, particular for young people, and for reducing poverty and inequality in our society, be that in developed countries or developing countries.

We are also pleased with the fact that he endorses the importance of the role of middle-income countries in the future of the World Bank. This is important because South Africa, as a middle-income country, thinks that it is not only the big economies, be they emerging or developed, or the smaller economies in the form of the low-income countries, that should attract the assistance and support of the World Bank. But equally, middle-income countries, particularly on the African continent and across the globe, can play an important innovation role, can play an important catalytic role, and play an important role in supporting development, particularly in subregions of a continent and, in South Africa's case, in the Sub-Saharan area generally and SADC more specifically.

We expect that the World Bank Group's bold, and he would, I'm sure, frankly put it, activist leadership - and that's one common ground we have between us, we both are quite happy being described as activists - will introduce a new era in the World Bank's operation, which will ensure that the formidable capabilities, knowledge and expertise, apart from the management that the World Bank has, is made available to middle-income countries and, indeed, others that require their assistance in a way in which each of the countries of the world can say that we are developing more effective systems, we are focusing on ensuring that our economies grow but they grow in a way in which social justice is increasingly at the

center of it, and that they grow in a way in which we solve the problems of poverty and inequality in our society as well.

We have shared our aspirations in terms of the infrastructure projects in South Africa, and I'm confident that the capabilities that are available within the World Bank will be made available both to the continent more generally and certainly in respect of South Africa's three billion rand aspirations in terms of infrastructure [unclear] on South African soil.

Let me conclude by saying that Dr. Kim will have lots of high expectations placed on his shoulders, but they are fascinating opportunities for, as he would put it, South Africa to become a laboratory of good practice and innovation. And on the government's side, as we begin to grapple and continue to grapple with issues such as economic reform so that our economies are more inclusive and more job creating and in the rest of the continent and in South Africa that are industrialized, that we will be able to also get support from the World Bank in that particular regard as well.

One of the areas of the World Bank, there's been some fascinating work on, which we haven't too much of an opportunity to talk to Dr. Kim about, is studying economic dynamics in townships in South Africa, and we see this as an important future direction for possibilities for increasing economic growth and job creation and widening participation in economic activity in the South African economy for more of its people.

I think we've laid a very constructive basis for cooperation with the new senior administration in the World Bank, and we look forward to working with Dr. Kim and his colleagues as we take South Africa into a period in which we'll be defining a new country strategy with the World Bank, which will attempt to place at its center the National Development Plan and the various programs that different government departments are working on.

Thank you very much.

**MODERATOR:** Thank you.

The President of the World Bank Group.

Thank you.

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

It's a great honor for me to be back in South Africa. Prior to being President of World Bank, I worked with many colleagues in Lesotho, in Malawi and Rwanda. And when I was director of the HIV program at the World Health Organization in 2003 to 2006, I had many occasions to come here to South Africa.

I'm here on my very first trip abroad as President of the World Bank because of my enormous respect for this country, for its people, and out of a realization that South Africa's success is important for the region, for the continent, and for the world. South Africa is 40 percent of the African economy. But most importantly, the government that is committed to both social inclusion and growth is leading the way and providing us another example of what we think needs to happen in the world.

The World Bank has been very clear. Gender and equity is critical for sustainable economic development. A focus on youth, and especially good jobs for youth, is critical for sustainable economic development.

And we believe, along with the South African government, that social inclusion and economic growth, especially in the private sector, are not mutually exclusive.

And so we have an enormous stake in doing everything we can to ensure success of South Africa in achieving those goals, and that's why I'm here.

I was very pleased and honored that I was able to meet with so many Ministers. In the discussions, I was deeply impressed with the level of analysis that the Ministers had been doing of their own success. We had a very frank discussion. And the theme that came out of the discussion was extremely encouraging to me, and that theme was we will experiment with policy--excuse me, "experiment" is the wrong word. We have good policy. We've thought long and hard about the policies we've put in place, and now we are very focused on implementing, to make sure that the policies work and that they work for everybody. And so we had a very long and intense discussion about how the World Bank and South Africa could work together on improving implementation and delivery.

Now, this is the problem of every single country in the world. Many countries have good policies. Every single country in the world falls short at some point in terms of their implementation and delivery.

The point that I wanted to make to the Honorable Minister and his colleagues is that the World Bank is full of wonderful practitioners who have extensive academic training, but who also have the experience of working in countries, working with clients, trying to improve their implementation and delivery.

I was just extremely encouraged that we were exactly on the same page in terms of how we're going to structure our relationship. For us, being deeply engaged in the work of South Africa is not--it is on the one hand focused on our, perhaps, ability to bring maybe some experience from other countries, some expertise. But even more importantly, we are here to learn. South Africa is the place where many innovations have happened, and we want to deepen our relationship with South Africa because we want to learn from the innovations and the achievements that have happened here so that we can share them not only across the continent but with the rest of the world.

Finally, I was very honored as well to meet with President Zuma, and we spoke also about the importance of implementation and delivery. President Zuma mentioned many different areas where he would like to cooperate with the World Bank, and one of the areas of course is health.

I'm a physician. I'm an anthropologist. I worked on health care programs in Africa and in many other parts of the developing world, and once again I think that the special contribution of the World Bank may very well be that we are very good at thinking about how infrastructure and systems can impact health care delivery and health outcomes. Moreover, we can bring experiences from other countries, other regions that might be helpful to the South African government.

So I would like to conclude by saying that I was thrilled by my visit today. I am here for a very clear reason South Africa is important for the entire world. We have an enormous stake in success here, and we've laid the groundwork for, I think, a deepening collaboration that we hope will bring many good things to the people of South Africa. But perhaps even more importantly, through our learning here, we can bring the lessons of South Africa to other countries as well.

Thank you.

**MODERATOR:** Thank you.

We now open up for questions. Please identify yourself when asking a question and keep it brief.

Mariam?

**QUESTION:** Thank you. I have two questions actually. One is for Minister Gordhan. You mentioned that South Africa will be benefiting from the support of the World Bank in its infrastructure program. How will this support come? Will there be any financial support or will it just be logistical?

And my second question is for Mr. Diop. The World Bank said in a previous report that growth in South Africa has to be more inclusive to eradicate poverty. Does the World Bank have any ideas on how to make growth more inclusive?

**MODERATOR:** Thank you, Mariam [phonetic].

We can take another one. Yes, go ahead.

**QUESTION:** Hi. Dan [Unclear] from Bloomberg.

I have a question for Dr. Kim. Dr. Kim, in the last week, I think you have been listening—you said you have been listening a lot to your staff, and obviously coming into the job fairly new; so are you planning to take the Bank into a new direction? Are there areas you are going to focus on and other areas you are going to focus less on?

You also hinted or mentioned that you might be interested in technical assistance to developed economies such as Greece. Has there been any movement in that direction?

Thanks.

**MODERATOR:** Thank you, Dan.

Go ahead, please.

**QUESTION:** [Unclear] criticism of the World Bank funding of the [unclear] because of the technology it uses. Going forward, looking at the infrastructure development plan, would the World Bank support coal or fossil fuel-based power generation going forward, or would you look at nuclear? Can you give us an indication of your thinking?

**MODERATOR:** Thank you. We'll take that first set of three; so, Minister Gordhan?

**DR. KIM:** Let me start with new directions. One of the things that has been so striking to me about my first few months—I have been walking the halls, meeting many, many people inside the Bank—there is enormous consensus around the fundamental mission of the Bank. Our mission is in some ways based—we are here to end poverty and to boost prosperity. And there are a lot of different ways of doing that.

I think there is also a growing consensus around just how to do that. For example, the World Development Report this year is focused on jobs, and we know that in the formal sector, 90 percent of jobs in the formal sector come from the private sector.

So, here in South Africa, for example, our largest efforts are through the International Finance Corporation, our private sector wing. So I would never dare to change a mission as powerful and clear as ending poverty and boosting prosperity. That's a wonderful mission to have.

In terms of how we work, we are having that conversation in an intensive way right now: Are we organized in a way that will allow us—and I use this term with my colleagues at the World Bank—are we organized so that we can then we can bend the arc of history that we can end poverty sooner than [unclear], that we can boost prosperity even more effectively. And what is the nature of our relationships with our colleagues in the multilateral world? How can we focus ourselves ever more effectively on that mission?

And I tell you, everywhere I go in the Bank—I go to the Treasury, and the folks who manage billions of dollars of money every day tell me that they are most proud of their work in helping central banks in the poorest countries manage their assets.

So, in my view, everyone in the Bank is focused around this issue, and so we just need to figure out a way to be the most effective organization we can be in ending poverty and boosting prosperity.

In terms of the high-income countries, you know, we feel that in many areas, our expertise could be relevant to any country. For example, we are especially good at analyzing social sector strategies. We are very good at being able to say, Look, you know, we have got a lot of evidence over the years, and we have found that these kinds of social sector strategies

don't really help much, usually, and these kinds, which you are not investing in, actually can be very helpful.

We feel that that kind of advice can be useful for lots of different countries and also with respect to work that the International Finance Corporation, the IFC does, we also think we have a lot of advice in how to improve the environment for especially [unclear] income countries. We feel we have that expertise and [unclear].

Of course, we have to be asked before we go in and offer advice, and I simply want to make clear that we stand ready to offer that advice.

Coal is a difficult issue, and the project here in South Africa was one in which we have had extensive discussions among all of the [unclear] and interested parties.

And I am a person—I am in my job because I believe in multilateralism. And multilateralism means that you have to quietly listen to the needs and the desires of member countries and weigh that against lots of other concerns.

So South Africa was very clear. It needed energy in order for the economy to grow—in order for the economy to grow and provide good jobs so that people can [unclear] poverty you need energy. And there was a very strong sense that this clean coal project was the way to go.

So right now, we are working with the government on many clean energy projects, and we are very happy to be able to do that. But my job is one in which we have to balance a number of different priorities.

We all believe that we have got to mitigate climate change. We all believe that we need a sustainable future in terms of the environment. But we also know that energy is required in order to lift people out of poverty and to grow the economy.

So every day in my job, I am balancing these different priorities, and that is what we will continue to do.

**MINISTER GORDHAN:** Let me add to that and say that we have got to recognize that energy has a major constraint on growth potential, so the ability to invest in clean coal, use the most appropriate technology to reduce carbon emissions as much as possible, and still support economic growth and increase our potential for growth is a very important project for the next five to ten years.

At the same time, you all know that we have an Integrated Resource Plan, that renewables play an important part in that plan, as potentially does nuclear, and in the longer term, we have made very clear indications that we want to shift from coal but in a way in which it is pragmatic, it does not compromise our ability to grow the economy and create jobs, and at the same time demonstrates a commitment to renewables.

Mariam, your question on how we will benefit from our relationship with the World Bank in terms of infrastructure, that is something that, as we clarify our own needs and look at what the World Bank has to offer both in terms of, not so much financing, unless we absolutely need it, but the kind of expertise that Dr. Kim talks about.

What we do need in South Africa are efficient delivery systems so that intentions and policies begin to be converted very efficiently into actions on the ground that make a positive impact on our economy. And much of our infrastructure, as you know, is on the economic infrastructure side and making quicker progress in respect to implementation in respect to those will make [unclear] as will sequencing those projects correctly, making sure that we get the right levels of coordinates and integration amongst those projects and, as we also know, our mission is to develop a 10- to 20-year pipeline of projects so that we have a continuum in terms of the way in which infrastructure develops. All of these things are currently under discussion and development in the Presidential Infrastructure Coordinating Commission.

So, as we develop this relationship and draw on the kinds of comparative experiences that the World Bank has to offer, we will see how that can enrich the capabilities that that may have within South Africa itself.

**MODERATOR:** Thank you, Mr. Minister.

Makhtar?

**MR. DIOP:** Thank you very much.

When it comes to inclusive growth, I think that the Honorable Minister has already indicated some of the work we are doing right now linked to the economics, the dynamics, of the country, but I think it is a role that you will have in shaping precisely the policy that the government is already implementing in this area.

And the second area is the efficiency of service that it brings. As you know, the government is allocating a significant amount in the social sectors. For instance, the level of expenditures in the health sector in South Africa is beyond what you see in a lot of countries, and the government would like to improve the efficiency of those expenditures, and this is one of the specific requests that we received today from Mr. Minister, to see how we can help them, based on the experience of other countries but also based on the reality and the capacity for the local government to deliver the services to accompany [unclear] for the government.

A third dimension is all the work in the cities and how inheriting a situation linked to the type of apartheid, where the economic opportunities are not the same across the country, how we can help unifying the economic fabric and make sure that the opportunities are geographically well-distributed across the country and what we can do.

I think that experience exists across the world that we can bring. One of them is what you are trying to do in the favelas in Brazil, and I know that the government is very interested in looking at some other experiences but also to look at some specific interventions that have been [unclear] here, pilot them, help piloting them and scaling it up when it works.

So I think we could maybe put on the table all of the targeted programs in conditional cash transfer, which have been something that have helped related to the income inequality in some places in the world, and with the right conditions and the right adaptation to the South African conditions, we could also look at those.

But it is at the center, really, of our conversation with the government, and the Minister has been very clear that he would like to not only bring the international experience but also to see what has worked in South Africa and export it to other parts of the world.

**MINISTER GORDHAN:** I think the interesting, if you like, imperfection at which the world finds itself today is the one that is reflected in Dr. Kim's comments, that social justice and inclusive growth are very closely related, and should be closely related, and that we are one of the few countries—and increasingly, there are going to be more—who are trying to find strategies and policies and actual practical plans in order to work toward this kind of goal.

This runs against the vein of conventional economics and conventional comments that many of you might be used to, so forgive me for saying so, but I think the important

challenge going forward is how we educate the public more broadly but also the policymakers around the globe that unless we see this as a twin package, if you like, and that increasingly, we need to find ways in different countries of practically experimenting, if you like, with this as an ideal, with this as an important objective that we need to work toward, we won't be able to solve the problems of the world in respect to poverty, inequality, and in particular jobs for young people.

You will be aware that there was an ILO report yesterday which said that the trend for the next few years is increasingly unemployment among young people. So we have got to come up with new answers, and we have got to come up with different answers. And I certainly believe that Dr. Kim's leadership will make an important contribution toward searching for different answers on the question of inclusive growth; and then, certainly, with the World Bank's focus on jobs in its Development Report this year, it will start an important policy process that has been discussed within the G20 as well.

**MODERATOR:** Thank you, Mr. Minister.

Yes?

**QUESTION:** This is Jaime Velasquez from the Spanish News Agency. I just want to know, President, what the World Bank has to say to us about what can be the role of the World Bank in the euro crisis and in order to help some countries like Greece, maybe Spain, that are in need of solutions for [unclear].

**MODERATOR:** Thank you.

Yes—one more question from SABC

**QUESTION:** [Unclear] on what is going on in the mining, particularly in terms of [unclear] at the moment.

**MODERATOR:** Thank you.

**QUESTION:** Just developing it further, what [unclear].

**MODERATOR:** Thank you.

Mr. Minister, do you want to respond to the question on mining?

**MINISTER GORDHAN:** I think the first person there [unclear].

**MODERATOR:** Okay.

**QUESTION:** Just on the progress that has been made on the new pension plan, could you just give us some idea of what was spoken about this week on the new pension plan and where the priority and points of emphasis are going to be placed? Is it going to be like the [unclear] or are we going to see more emphasis on [unclear] effectiveness of the way we distribute these sorts of [unclear] social infrastructure [unclear]. So, I'd like to just get some—where the points of emphasis are going to be in the new plan and [unclear]. So I'd like to just get some idea where the points of emphasis are going to be in the new plan and where the [unclear 00:30:19.]

**MINISTER GORDHAN:** I didn't realize Dr. Kim played rugby, he's just passed the ball. [Laughter.]

**MINISTER GORDHAN:** [Unclear]. Let me tackle the last question. The new country plan or country strategy is something that we will initiate now. It is not a process that has already been initiated. But certainly, a focus of that would be to find an integrated way and a coordinated way of developing the interaction between the World Bank and South Africa as a whole.

As you correctly point out, the efficiency of service delivery is certainly a major concern, and if there are lessons that we can learn which would make the resources that we allocate to certain key areas of social services emerge with the data policy of outcome that we currently do, that will certainly be an objective that we have in mind given the kinds of resource constraints that we work with. But for the rest, I think let's wait for this process to start, and then we can certainly inform you of the way it is going.

In respect of the rather regrettable and sad events in [unclear] and the mining industry more generally, certainly, we have got to as South Africa understand the complexity of the dynamics that have been unfolding on some of those mines. The platinum industry has already been under severe pressure because of price issues and demand issues. And at the same time, we must be assured that, the rest of the mines are working, the bulk of the industry is at work, the bulk of the industry is still exporting to the rest of the world, and its output is being utilized both there and in South Africa itself. And in that sense, we need to

give the employers and employee organizations an opportunity to find each other and to address both the work-related issues and some of the social issues as well, and we hope that globally, in the rest of the world, I hope Dr. Kim as a doctor, a real doctor, has some medication available which will suddenly cure the euro crisis, which will make Spain feel better immediately and which will then increase demand. [Unclear] our process in South Africa or for some of its raw materials as well.

Will it impact growth? I don't think so in any significant way. But it is important that we communicate to the world that South Africa is still hard at work, and most of it is highly productive and that it is still available for investment opportunities as well.

Now for the prescription.

**DR. KIM:** Well, as a doctor, I can tell you we have many medicines that can make people feel better, but I don't think it's going to help the euro crisis very much.

Let me say first of all on the mines, I don't have anything to add to what the Honorable Minister said—but I can tell you that during the discussions, we actually talked about the mines in this perspective. We talked about the higher incidence of tuberculosis among miners and how that is a problem. And just to give you a feel for our discussion, we talked very explicitly about the fact that tuberculosis among miners is not a problem of the mine - it is not a problem even of just South Africa. It is a regional problem because the miners move around. So we talked specifically about how we might work together to develop a way of providing more effective treatment for miners even when they go home to places like Lesotho during holidays, for example.

So the mining industry is very important to South Africa, and I think we stand ready to help in organizing, for example, service delivery to miners in a way that will be more effective—and again, with the realization that this is not a medical problem, but it is actually a logistics, systems, regional problem.

On Greece and Spain, what I said before is really that we have very specific technical expertise that may be of use, and we have offered to provide that technical assistance if the European countries are interested. Our role is not to infuse large amounts of cash into the European economy. This is not our role. Our sister organization, the International Monetary Fund, is much more involved in that area.

But I do think—well, let me put it this way. I have great faith in the technical expertise inside the World Bank, and I think the technical expertise that we have around things like social

expenditures and creating a good business environment could be useful to some of those countries, but only if they decide that they would like to ask us.

**MINISTER GORDHAN:** If I could just add, on the matter of the euro crisis, we haven't really had too much of an opportunity to talk about that with Dr. Kim. We still reiterate our own concerns as South Africa and the African countries that this crisis is going on for too long; that there isn't enough and sufficient recognition for the spillover effects of the lack of effectiveness in dealing with the issue of banks in various countries, the issue of debt in the case of certain countries, but most important of all, we are firm believers in the fact that the real focus needs to be, apart from sorting out the banking issue and the debt issues, on how those economies return to growth and how do they play the important role that they do play within the global economy as the second-biggest, if you like, collective economy on the globe as an engine of growth, because both in their own respective countries but also elsewhere in the world, it is developing a clear path toward growth and job creation which will begin to resolve the other issues that impact upon those countries apart from any specific actions that need to be taken in respect of debt and the banking system as a whole.

Otherwise, we are on a path of increasing declines in growth, increasing the number of jobless people around the globe, and increasing social tensions, both within the European environment but possibly elsewhere as well. And what we are missing at this point in time is the level of leadership and boldness which will help both that region but, more importantly, the globe as a whole to begin to move on to a new and different kind of growth path.

**MODERATOR:** Thank you. One last question from [unclear]—and then, I'm sorry, we're out of time.

**QUESTION:** Hi. My name is Royce Williams from CNBC. I have heard quite a bit about the programs and sort of grand plans and schemes that are being considered, and it is all novel, and so on. So does the World Bank, Dr. Kim, have a budget for Africa, and how much is that budget for the year we are talking about [unclear] this year, this financial year?

**MR. DIOP:** Thank you very much. African countries belong to two windows. One is IBRD, which is middle-income countries, which South Africa belongs to with a number of countries; and IDA, which is the low-income part of our budget.

But yearly lending—we will be lending up to mid-November if we include last year at the mid-term of the IDA cycle, which is a three-year cycle. After a year-and-a-half, we have been lending \$10 to \$11 billion to the poorest countries in Africa.

What we believe is that it is not only important to bring the resources, but it is important to leverage the resources. What we are seeing now is a private sector both internationally and locally which is more and more involved in that [unclear] activity.

My colleague from the IFC, Bernie, was reminding me today that we are seeing an increasing involvement of the private sector investing in energy and infrastructure in Africa. IFC, our private sector branch, has realized this year in the low-income countries 40 percent of its investment in infrastructure, to give you an indication of how the private sector in picking up and supporting all of this.

So we are leveraging resources, and we are working closely with the private sector to be able to meet those needs.

In addition, in the conversation that we had with the Minister, there was an idea also that it was important that we continue having the resources to prepare the larger projects that the African Union has defined, particularly in energy. And we will be [unclear] and really involved in the G20 as one of the voices of the African continent to make sure that in the G20 [unclear] will be realized very soon so that it can accelerate the [unclear.]

But already something is happening. We just had the first phase of the Inga Project that was financed by the World Bank was taken to our Board recently. We are moving on the Southern and Eastern African Power [unclear] and [unclear] some dynamic toward that.

So there is a lot of interest from the private sector. We are leveraging our resources from the IDA side, and all countries are now looking at new and innovative ways of [unclear] development and [unclear] development.

**DR. KIM:** Thank you.

Let me just add that I have worked in Africa, and it is one of my absolute top priorities. That is why, on my very first trip as President of the World Bank, I have come to the African continent. So you can rest assured that on every level, I am deeply committed to the growth and the success of Africa. And the reason I gave you that example about tuberculosis is just to let you know that we are concerned about the well-being of the South African people in a very deep way, so much so that we even had that conversation about, for example, something that [unclear].

**MODERATOR:** Thank you all very much for coming. Thank you.