

World Bank Group Opening Press Conference by President Jim Yong Kim at the 2018 Spring Meetings

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World Bank Group President Jim Yong Kim

2018 Spring Meetings Press Conference

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Transcript.

MR. THEIS: Good morning. Good to see everyone this morning. Thanks for coming. I'm David Theis, Press Secretary for the World Bank. I'll assume that everyone's phones are still on silent from Madame Lagarde's press conference and no reminder is needed there.

So one housekeeping item, and that is when the microphones come to you, announce your name and the outlet for which you work. Dr. Kim will have a few opening remarks and we'll turn to your questions.

Thanks very much.

DR. KIM: Good morning, everybody, and welcome to the Spring Meetings. I want to start with a quick economic update. The global economy is showing solid momentum. We're expecting global growth to edge up to 3.1 percent in 2018, its strongest performance since 2011, as the recovering investment, manufacturing, and trade continues, and as commodity exporting developing economies benefit from firming commodity prices.

The challenge now is to ensure that strong growth will translate into inclusive growth so that the benefits of global economic integration are enjoyed by all members of society. This period of robust growth is a great opportunity to

invest in human and physical capital. Filling infrastructure gaps, improving education and health outcomes, and increasing female labor force participation could continue to drive growth. If policy makers around the world focus on these key initiatives, they can increase their country's productivity, boost workforce participation, and move closer to the goals of ending extreme poverty and increasing shared prosperity.

I'd like to discuss a few items that are on the agenda for us at these meetings. This morning we launched the latest edition of our Global Findex Financial Inclusion Database, which tracks how people use financial services. Financial inclusion is an important stepping stone out of poverty and we're seeing that globally financial inclusion is on the rise. Digital technology is driving access to—and the use of—financial services. But there's still a wide gender gap. I hope you have seen these latest findings.

As you know, the World Bank Group is dedicated to ending poverty wherever it exists in our client countries. We're always looking to leverage every available resource to meet the immense challenges our clients face. And I want to mention two specific initiatives to support that effort. First, this week we introduced a significant new financial innovation. IDA, the World Bank's fund for the poorest countries, made its debut in the capital markets, joining a select group of top-tier supra-national issuers, with an inaugural bond that raised \$1.5 billion from investors around the world. IDA's entry to the global capital markets is historic—the latest transformational shift in how we approach development finance. With its funding program in place, IDA will be able to dramatically scale up financing to help countries meet the 2030 Development Goals and deliver greater value to shareholders. IDA benefits from the World Bank Treasury's 70-year track record in the global capital market—markets. It inherits IBRD's reputation as an innovative issuer in connecting markets with development impact.

Second, as you may recall, the Annual Meetings last fall— at the Annual Meetings last fall, our shareholders, represented through the Development Committee, asked the Board and Bank management to review all possible options to enhance IBRD and IFC's financial capacity and develop a package of measures for governors' consideration. The Bank Group's management has engaged in extensive detailed discussions with our Board and member countries, and the Development Committee will meet this Saturday, April 21, to discuss the proposals.

We believe we've made a good case for how a stronger World Bank Group can meet the aspirations of our shareholders, respond to global challenges, mobilize capital at scale, and make the institution even more efficient and effective. That said, decisions on financial capacity are up to our member countries. And we look forward to their discussion on Saturday, which will be headed by Sri Mulyani Indrawati, Indonesia's Finance Minister, who chairs the Development Committee.

Finally, in that spirit of— of the great legacy of Sri Mulyani, not only as Finance Minister but as a former Managing Director here at the World Bank Group, we're looking forward to a very successful Annual Meetings this fall in Indonesia. I met with the leaders and the preparations seem to be going extremely well. At the Indonesia meetings we'll take another step forward with the Human Capital Project, a rigorous detailed measure of the human capital in each country, which will help our clients invest more and more effectively in their people. We will be releasing an index to rank countries according to how well they're investing in the human capital of the next generation. The measurement will provide information that heads of state and finance ministers need— excuse me. The measurement will provide information that heads of state and finance ministers need to know in order to invest to build human capital. And the index will make those measurements hard to ignore. Now, I'll be happy to take your questions.

MR. THEIS: Thanks very much, Jim. Right here in the front. Yes, thank you.

MS. CAO: Good morning, Dr. Kim. Cao Qingyun with China Central Television and CGTN America. China's fintech industry has grown rapidly to allow more people, especially in rural and poor areas, to access financial products and services. What is your comment on China's progress towards financial inclusion? Thank you.

DR. KIM: Thanks very much for that question. You know, we've been— we've been studying the way that China has approached financial inclusion and so— and have actually participated with China in the past on things including creating special branches of banks for women specifically. Also, in the private sector, groups like Alibaba and Tencent have dramatically increased access to capital, access to markets, even in some cases access to marketing accounting—all the things that small and medium enterprises would need to export their products overseas.

China has made great progress, but if you reflect back, the Global Findex showed that we went from the low 60s to about 69 percent of people in the world covered in terms of financial access. Now, in order for us to get to 100 percent by 2020, which is the target, we're going to have to move much more quickly. So we're looking at the innovations in China and we're trying to ensure that we get from around 70 percent to 100 percent.

The other major issue for us on financial inclusion in the world is that there's still a large gender gap—9 percent difference between— in access between men and women. So we are watching carefully. China is improving financial access very quickly, not only access to financial services, but access to capital, access to markets. We need that to happen in every country in the world. Thank you.

MR. THEIS: Great, thanks. Back there, Larry Elliott with the hand up. Thank you.

MR. ELLIOTT: Thank you. Good morning, Dr. Kim.

DR. KIM: Hi, Larry.

MR. ELLIOTT: The IMF says that the number of countries in debt distress has doubled to 40 percent in the last five years. How worried should we be about that development and what is the Bank doing to avert another debt crisis?

DR. KIM: Thanks, Larry. Well, you know, on the one hand, the crisis is not as bad as when we started the debt relief—the Highly Indebted Poor Country Initiative. But, for example, the number of low-income countries whose debt-to-GDP ratios we're worried about now went from 7 last year to 14 this year. And a major part of it is that there is so much Non-Paris Club debt going into these countries. And so we're—we're concerned about it. We're watching it very, very closely. And so we have to balance the amount of public sector debt that goes to these countries with the current state of indebtedness of many countries. There are some that we're very concerned about. On the whole though, we think that we can still make progress, especially if we bring to bear to the low-income countries our approach that we're calling Maximizing Finance for Development. So that instead of putting the— putting all of our infrastructure efforts, for example, on the back of sovereign guarantee debt or debt from other Non-Paris Club resources, we think that if we bring more private sector capital to build the kinds of infrastructure projects these countries need, that we can help the countries manage their— both their public and private debt and still see economic growth.

So it's a— it's a delicate, difficult balancing act that we have to go forward with, because we can't stop the capital flows, but we are concerned and we're watching it very, very closely.

MR. THEIS: Great. Here in the front row. Yes, Simon.

MR. ATEBA: Thank you, Dr. Kim. My name is Simon Ateba from Today News Africa. Just pretend for a moment that there are no cameras and there are no journalists in this room (laughter), and if you were with African leaders in a room without journalists and you were to advise them on three key steps they

should take immediately to prevent risk and increase growth, what would you tell them? Thank you.

DR. KIM: So we can start with Larry Elliot's question, you know. Be very focused on your debt and where you are taking the loans from. Be very focused on the conditions, the interest rate, et cetera. So that's one issue that you have to look at very carefully.

But I think another, a huge issue that, again, we're going to be taking up much more prominently at the— at the Annual Meetings in Bali is investments in human capital. So we're extremely concerned that many Africa countries are not prepared to compete in what is increasingly becoming a digitalized economy. Right? We also see lots of evidence that suggests that many of the low-skill jobs will be taken over by technology.

Now, there's also tremendous hope for technology. I think there's tremendous hope that technology could help some African countries—many African countries, we hope—leapfrog and go forward and find new ways of driving economic growth. But that there's no getting away from the need to invest much more— and much more effectively—in health and education.

When we see rates of childhood stunting over 30 percent— meaning these children, their brains are simply not as well developed as their non-stunted peers, and that they will learn less and they will earn less in the future. We have good data on that. That when stunting rates are over 30 percent, sometimes close to 50 percent, that that group of young— of children will not be prepared to compete in the digital economy in the future. So human capital is a huge, huge issue.

And I think, you know, if you look at all of the difficulties in terms of, you know, of increasing their resources for hard infrastructure—things like roads and energy—and also the need to increase investments in human capital— you know, every African country has to look much more seriously at how it improves its own domestic resource mobilization. So in other words, they

should be better at collecting taxes. We— you know, to just provide the basic services, we think countries should collect at least 15 percent of GDP in taxes. Many countries don't reach that level.

Also, if African countries were to remove fossil fuel subsidies that are often very regressive—in other words, they help the rich more than they help the poor. Even agricultural subsidies, there are many agricultural subsidies that are also very regressive. They don't help the smallholder farmers, but they help others in the value chain. And things like tobacco taxes. Tobacco taxes have been shown to be very effective at raising revenue and decreasing smoking and can be used to finance all kinds of things.

So there's so many things that can be done to help countries both invest in physical infrastructure and also invest in human capital, but it requires reform and it requires courage. And so I know these kinds of things that I'm talking about are difficult, but please let all the African leaders know that the World Bank Group's ready to help them undertake all those measures.

MR. THEIS: We're going to go to the back row there, please.

MR. ALLEN: Good morning, Vadim Allen, Voice of American News. Mr. President, the leading analysts more and more point to the fact that financial corruption, which has become a norm for some developing countries, is spreading into the strong, especially Western democracies and undermines. How much of a threat is it to the global financial system, in your opinion? Thank you.

DR. KIM: Well, unfortunately, corruption is a problem in every single country in the world, and I can tell you that we— we take a very strong stance against corruption. I mean, this dates back now more than 20 years when former president of the World Bank, Jim Wolfensohn, first— was the first among leaders of institutions like the World Bank Group to talk about the cancer of corruption.

Since then, we have instituted very strict measures to follow every dollar that we lend to ensure that the dollars we provide are not used for other purposes. Now, I think our methods of detecting corruption have gotten better, but corruption still exists everywhere. And there's not a country in the world that's exempt from it. So we would just simply encourage leaders to work with us and work with the IMF, work with other institutions like ours to improve their approaches to detecting and stamping out corruption.

Now, one hope—and we're going to be doing a session on digital technologies in just a few minutes after the press conference—the hope is that technology may be helpful in helping to reduce the amount of corruption that we see, especially in financial systems.

MR. THEIS: Great. Over here in the front in the pink jacket. Hi.

QUESTIONER: Good morning. I'm from Tunisia. My question is in French.

So— [translator] Reports confirm that growth is going to be very high in upcoming years. What can we do to maintain that high level, and what are the solutions available to address major problems such as unemployment? Thank you.

DR. KIM: So let me just, first of all, say that growth will be high in the medium term, we think, but we're not sure about long-term growth. But in the meantime, I think, especially in Tunisia, North Africa, the Middle East, what we see is that certain economies have grown very quickly, but their investments in human capital have not kept up.

So of course— everyone I think understands the need for physical capital— for physical infrastructure and investments in infrastructure. But I think there's still an underappreciation of the importance of improving health and educational systems.

You know, when— in Bali we'll release a ranking. The ranking is based on a study that we're doing now. What we've been able to learn is that if you look at what we call learning-adjusted years of schooling, in other words, not just how

many years you've been in school, but how much you've learned in those years of school— and we have so much better data now on how much children are actually learning that we can tell you that a year of schooling, for example, in Yemen or in Malawi is worth about half of a year of schooling in Singapore. So we know this now. And so if you take that data and then add to it certain health outcomes—childhood stunting is one, adult survival is another—and then you look backward at economic growth, the correlation with economic growth is extremely strong. In other words, even if you look back 25 years, the correlation of improvement in human capital to economic growth is strong.

And our sense is that as economies become more digitized, that relationship between health outcomes and educational outcomes is only going to get stronger over time. And so I think it's time for all countries to really take a hard look at how well they've invested in their own people because that is likely going to be the most important determinant of whether they'll be able to keep up with economic growth.

Now, it's not just for children. It's also skills programs for adults. The human capital agenda, I think, has been neglected for far too long, and what we've shown in our report that was released sometime— a little while ago called “The Changing Wealth of Nations” is that human capital represents 65 percent of all the wealth in the world. And we haven't paid enough attention to it. So that's the one message I would focus on.

And, especially, in North Africa and the Middle East, there's been more spent on education, but the impact has yet to be felt because the quality has not improved as much as the expenditure. We need to really make progress in terms of quality and what children actually learn.

MR. THEIS: Philip Aldrick there, yes.

MR. ALDRICK: Thanks. Phil Aldrick at the Times. We hear a lot about how technology has been causing some of the people to be left behind in some of

the advanced countries' economies, as well as— you've talked here about some of the potential costs of technological advancement in the developing world as well. And I just wondered whether you thought that on balance the big tech companies are good for inclusive growth or whether they're potentially making things more difficult?

DR. KIM: Well, I mean, I think— I already utilized the example of Alibaba and Tencent in China. And, you know, what their model has done is it's made access to capital almost instantaneous, as long as you have a good record in terms of your online behavior. So in other words, on Alibaba they say that in about two seconds, if you have a good record online, you can get access to as much as 1 million Renminbi, which is about \$150,000 or so, in that area.

So that's a way of using innovation in an inclusive way, I mean, because they're focused on small and medium enterprises. If we can make that happen in other parts of the world that'd be great. You know, lots of people know about the M-Pesa system in Kenya that has gotten, you know, over 90 percent of people in Kenya doing transactions online. There's even an Uber service for cows that exists called Moovr. And what happens is they have drivers and they're using technology to find out which farmers need to move their cows at which time in poor countries and then moving them.

So there's all kinds of possibilities. I think the issue is this. The issue is that organizations like ours have to be out there scouring the world for technologies that might be helpful in developing countries because the greatest companies that are at the cutting edge of technology are not necessarily thinking about the implications or the applications of their technology in developing countries.

So we're now starting an effort to do just that. We've increased our interaction with many, many companies in Silicon Valley, also in places like Israel that has a wonderful entrepreneurial environment. And our— we see as a huge

part of our mission now ensuring that the technological advances that are being brought to the world every day, that we ask— we constantly ask the question, can this be applied in developing countries?

Another great example is literally a group of rocket scientists are— at a company called Zipline have found a way of using drones to deliver blood everywhere in Rwanda and that's reduced costs dramatically and saved many, many lives. And the question now is, can they expand to other products beyond blood? They're now expanding to many countries in Africa, and in that particular case they had been building the technology and then were introduced to the government of Rwanda, and together they made the application to Rwanda work so effectively that now many, many countries are looking to them to help with the delivery of all kinds of medical products. Now, those are great small ideas, but it's got to happen at scale and we're not there yet.

MR. THEIS: Yes?

MR. LAIDLEY: Good morning my name is Andrew Laidley. I'm from Jamaica. The Caribbean economies have been hit by many, what you would call, economic incidents. One of them being more and more international banks, what you call de-risking. Another one being natural disasters, and another one being countries— some of my neighbors being hit by EU blacklisting. What I want to know from you is just your comment on how Caribbean governments can help to make our economies more resilient to some of these things?

DR. KIM: So, first of all, let me say that Jamaica has gone through a very difficult, but courageous reform process that's put your country on much more solid footing. You know, frankly, four or five years ago, we were extremely worried about the Jamaican economy, and there are still many hurdles to get over, but the commitment of the government of— to reforms and the

willingness of the Jamaican people to go through them has been really remarkable to watch over the years.

Now, there are many different risks out there and, of course, in Jamaica and the Caribbean, weather-related risks are particularly serious. And so one of the things that we've been focusing on is ensuring that developing countries can get access to tools, to financial tools that help them share their risk with the capital markets. And, you know, we've done that with the so-called catastrophic drawdown facilities, these instruments that will provide immediate cash to countries in the form of an insurance policy, and they've worked very well in many parts of the world.

They're not big enough yet. We need to increase the risk pool so that the costs go down for individual countries, but our hope is that we at the World Bank can continue to innovate and create more and more insurance-style instruments to protect the poor and share the risk of the poor with capital markets. We were successful with our pandemic risk facility in which we have now 400— for the first time in history we have \$450 million that's available for poor countries, the 75 poorest countries, in the case of Ebola, SARS, or flu-type outbreaks.

And instead of— what we had to do during Ebola was we had to wait for countries to decide that they were going to be generous to— and provide support for Guinea, Liberia, and Sierra Leone. And in that time, many thousands of people died. Now, that situation would not happen again with Ebola because now those poor countries are insured.

Can we extend that kind of insurance to help countries deal with a broader range of problems? We're working right now on famine insurance. And it turns out that we probably can find a way to insure the poorest countries against famine. So at the World Bank Group what we're trying to do is to be as innovative as we can, and literally use the tools that the rich use to protect

themselves and share their risk with capital markets on behalf of the poorest countries.

MR. THEIS: Third row there. The young woman with the glasses with her hand up. Yes, you. Yes.

QUESTIONER: Thank you. Good morning, Dr. Kim. So my question is very straightforward. I'm from China's Caixin media. Will World Bank lend less money to China as pushed by Trump administration to get U.S. support for its \$13 billion capital increase? And how do you think of its argument of China is not a developing country anymore, but a developed country? Thank you.

DR. KIM: So let me start by saying that China has been and will continue to be an extremely important partner for the World Bank Group. And in this case, China's voice in the institution went up, and it went up, you know, over one and a half points. So this was a large increase in its voice.

There's nothing in the agreement that we've put together and presented to the governors that remarks on any single country's borrowing. The idea that is embedded in the proposal that we're talking to the governors is that many of the governors wanted us to focus our lending on the low middle-income countries. So we will—we will lend more over time to the lower middle-income countries—the countries that are emerging from IDA, the fund for the poorest countries, into IBRD.

And so we've agreed that that's what we're going to do. We're going to increase lending to lower middle-income countries. But for the higher middle-income countries, the fact that we got a capital increase is very important for the higher middle-income countries, and also the fact that IFC got a capital increase means that IFC will be able to do more in higher middle-income countries as well.

So just to be clear on this that there's nothing in the agreement that targets any specific country. It's about how we think about income levels and how the

World Bank Group can continue to be a partner and to support all of our member countries who are still clients.

MR. THEIS: Great. Thank you. Second row or third row back there. This gentleman with his hand up. Yes. Yes, you, yeah. If we can just wait for the microphone to get to you—

DR. KIM: Coming from your left.

MR. THEIS: Here it comes.

QUESTIONER: I am from Lebanon. In your point of view how (inaudible) conference could help Lebanon avoid the worst-case scenario of collapsing?

DR. KIM: I didn't catch that— the what?

QUESTIONER: How this conference would help Lebanon avoid the worst-case scenario of collapse?

DR. KIM: Well, we have been working very intensively, I hope you know, in Lebanon. And we actually innovated and changed an approach that has been longstanding in the World Bank Group, which is that middle-income countries don't receive concessional financing. But we created a fund called the Global Concessional Financing Facility and we actually had to have a vote of the Board that both Lebanon and Jordan are now receiving concessional financing, meaning, you know, below market rate and below our usual IBRD rate loans, because of the service the Lebanon and Jordan have done for the world by accepting Syrian refugees.

So we continue to be extremely committed to Lebanon. We continue to be grateful for the way that Lebanon has accepted so many refugees, and we're following it very, very closely. So there's— we don't have a specific event focused on Lebanon, but I can assure you that the World Bank Group is very focused on ensuring that Lebanon survives this particular crisis, especially because of their generosity.

MR. THEIS: Okay. Thanks, everybody. Sorry, we've got a hard stop. So thanks all.