Transcript of World Bank Group President Jim Yong Kim's Remarks at World Bank/IMF Spring Meetings 2015 Opening Press Conference

April 16, 2015

World Bank Group President Jim Yong Kim
World Bank/IMF Spring Meetings 2015 Opening Press Conference
Washington, D.C., United States

Transcript

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MR. DONNELLY: Good morning everyone. My name is John Donnelly; I'm the Communications Advisor to Dr. Jim Yong Kim, the President of The World Bank Group. Jim will open this press conference with a short statement, and then we'll take your questions. We'll leave about a-half-hour for the session. Thank you.

DR. KIM: Good morning everyone, and welcome to the 2015 Spring Meetings of the World Bank Group and the International Monetary Fund.

During these meetings, the World Bank Group is focusing intensely on one of our goals, ending extreme poverty by 2030. The world has had great success in the last 25 years in lifting people out of poverty, an astounding two-thirds reduction in the percentage. Today, fewer than 1 billion people live in extreme poverty, and we must now reexamine our strategies to lift the final billion out of poverty and into the modern world.
We've looked back at the last 50 years or so of the world’s efforts to fight poverty, and we found three broad approaches, that together, have worked well and will help frame our advice to countries in the months and years ahead.

First, we must promote strong economic growth; second, countries must invest in people, especially in education and health; and third, countries must build social safety nets and protections against both natural disasters and pandemics to ensure that people don’t remain trapped in extreme poverty.

Today, I'd like to talk about the first part of our strategy; economic growth, especially in developing countries. Global growth is expected to be around 3 percent this year, just as we forecast in January. But prospects for developing countries continue to be downgraded from 4.8 percent in January to an estimated 4.5 percent now.

For developing countries, this marks a further slowdown from 2014, and the fourth consecutive year of falling growth rates, which had averaged 6 percent from 2000 to 2011.

The World Bank Group's work is focused on improving -- excuse me -- economic growth in developing countries in order to end extreme poverty and boost shared prosperity.

We see two major transitions for developing countries in the coming months: adjustment to lower oil prices and the prospect of tightening global financing conditions.

Our main piece of advice for developing countries is that they should undertake comprehensive structural reforms to promote growth. Structural reforms raise productivity and growth over time to sustain rising prosperity.

Some reforms also support domestic demand in the near-term, and ambitious reform plans signal to investors that governments are proactive about improving long-term prospects. This boosts confidence and often translates into larger capital inflows and lower borrowing costs.

In several developing countries, important reforms are already underway. India implemented diesel fuel subsidy reforms and reduced barriers to foreign direct investment in telecoms, railways, and retail. China reduced barriers to private investment, and enacted new legislation with rules on local government borrowing. Mexico increased competition in telecommunications and widened its tax base. And Rwanda reduced barriers to private investment and made general improvements in the business environment. But more needs
to be done. There is no single blueprint for structural reforms, but broadly we see several drivers of economic growth in the future.

First, a reorienting growth, whether it be away from consumption and toward investment in Turkey or Brazil, to the opposite in China, away from investment and toward consumption. Second, addressing infrastructure needs especially in energy and transportation. Third, improving expenditures in education and health care, and reforming labor markets. Fourth, reducing barriers to trade and facilitating regional integration; and then finally, reforming energy subsidies.

Let me turn briefly to the impact of falling oil prices in developing countries. The picture is mixed; lower oil prices will help reduce poverty for many, but will they also will have negative effects for some. One benefit is that more than 70 percent of the world’s poor live in oil-importing countries, and the lower prices will have a positive impact on growth which will raise incomes.

And two, the majority of poor households in low-income countries are net food buyers and will benefit from lower food prices. However, lower oil prices also will hurt some of the very poorest who tend to be net food sellers. Falling food prices will reduce their incomes. About 70 percent of the world’s extreme poor live in rural villages and work as farmers or in informal jobs.

We must promote growth in agriculture by giving farmers more control over how and what they produce, and by improving their access to better seeds, water, electricity and markets.

Finally, today, there were published reports today regarding the Bank’s resettlement history. The stories are based on internal Bank documents that I ordered released. I took that action because I believe that we must do better in implementing our resettlement policies.

As I said a month ago, what we found from our own investigations concern me. We are now reviewing our safeguards policies, and I am determined that we will learn from the past, and that we will do all in our own power to protect people and the environment. Development is complex and difficult. Resettlement, in particular, is a very hard issue. Every country in the world knows this. Developed countries used eminent domain to take land in order to build highways, railways, ports and other infrastructure projects for the greater good, and also in order to create jobs and build economies.
Developing countries are doing the same now. If we are serious about our goals, ending extreme poverty and boosting shared prosperity, we will need to do even more infrastructure projects in the developing world. But alongside those projects we need strong safeguards, and we will ensure that they will not only be put in place, but that we will implement them to the best of our abilities, and we will provide enough financial support to make sure that that happens.

Thank you. And I’ll now take your questions.

**MR. DONNELLY:** Thank you. So please identify yourself and your outlet. Thank you. Anna?

**QUESTION:** Hi. This is Anna Yukhananov with Reuters. I was wondering if you could speak about the governance reform issue. First, do you think the creation of the Asian Infrastructure Investment Bank was inspired by U.S. failure to pass the quota reforms at the IMF? And as you know, within the World Bank itself, the next step on governance reform has been stalled because of IMF failure. What can you do to accommodate China’s rise more within the World Bank? Thanks.

**DR. KIM:** Well, China currently has a very strong voice in the World Bank Group. And, indeed, the relationship and the cooperation and the collaboration between China and the World Bank Group has only gotten stronger, especially in the last year. China now has signaled to us that they will be increasing their borrowing quite substantially over the next few years. We’re currently engaged in a major effort to improve the health care system, an issue that is of great importance in China as they’ve already reached 5 percent of GDP in spending and health. And so our expectation is that we will continue to have a very close relationship and that we will work with China to tackle their most complex and difficult issues.

Now, as I’ve said many times, we welcome the Asian Infrastructure Investment Bank. As I’ve just mentioned, infrastructure needs in the developing world are enormous and they are enormous in Asia, which for AIIB, is defined as sort of reaching from China all the way to the Middle East. And so our full expectation is that we will continue to work with them very closely and that there are many projects that I can foresee either co-financing or working together on going forward into the future.
QUESTION: Thank you, John. Thank you, President. I’m Lu Tiar with Xinhua News Agency of China. My question is on the AIIB. You mentioned last week that the World Bank and the AIIB are potentially very strong allies, so I wonder in what ways? How much is that potential and in what ways are there going to be that cooperation? Thank you.

DR. KIM: Well, we have been in close communication with Chinese officials from the very beginning of talk of the AIIB. I first of all want to congratulate China for taking such a bold step in the direction of multilateralism. So what they have done is they have taken the lead in creating a multilateral institution, now we understand with 57 members.

And so one of the things we’ve learned over 70 years is that on the one hand, multilateralism is critical and plays a critical role in the world because it provides a context in our case for 188 member governments to sit and talk about some of the most important issues in the area of development. So we welcome the fact that they have launched a multilateral institution. And just as we work very closely with the Asian Development Bank, with the European Bank of Reconstruction and Development, we expect that we’ll work very closely with the Asian Infrastructure Investment Bank.

Now, we’re still waiting. There still are not Articles of Agreement or a constitution. We’re still not sure what kind of instruments or what areas in which the Asian Infrastructure Investment Bank will invest, but just as we’ve developed very close relationships with all the multilateral development banks, we expect we will as well with them. And very specifically, infrastructure needs are just enormous and there is nowhere near enough funding available for infrastructure. I suspect that in the early period we’ll play a much larger role in project preparation because we have much more technical expertise than the AIIB has right now. But there’s no reason why we would not do a lot of the project preparation, for example, through our Global Infrastructure Facility and then AIIB could be a co-investor. So it may look like that in the early days, but right now we’re still waiting to see exactly what the AIIB will be doing, what their products will look like, and then at that point the conversation will continue.

QUESTION: Santiago Avila from Lima, Peru. This year the Peru government will host the October meetings of the World Bank and IMF. This will happen in the context of a deep slowdown in economic growth in the region. Especially in Peru, the growth rate was about 6 percent two years ago and now is 4 with the prospective of being below 4 percent. I would
like to know what is your view on the region in general, what is the way forward in this context.

**DR. KIM:** Thank you very much. First of all, we’re extremely grateful to the government of Peru for agreeing to host the meeting. It’s a very complicated and a very large endeavor to host this kind of meeting there, but we understand that the preparations are going very well and we look forward to being there.

In Latin America as a whole, the drop in commodity prices has had an impact and the slowdown in the growth in China has also had an impact. Peru, specifically, is a major copper exporter as is Chile and the lower demand has affected the economy as a whole. The slowdown in Brazil has also had a major impact since the Brazilian economy is such a large part of the Latin American economy.

In other examples, for example, in Mexico, both the aggressive approach to structural reform and the closeness to the American economy has led to a brighter picture I think for growth in Mexico, Central America, and the other Caribbean economies that are closely linked to the American economy with steady and strong growth in the U.S.

Now, we’re in a lot of different conversations with Latin America. There have been some tremendous achievements. The growth of the middle class in Latin America has been a tremendous achievement and inequality has decreased, and yet inequality in the region still remains very high. In looking at the various investments that have been made in Latin America and looking at whether those investments have been efficient -- in other words, have greater investments led to the outcomes we’re looking for -- one of the areas that I think we’re going to really focus on in Latin America is improving the quality of the education. So you have many young people going to college, but not graduating with the skills that are required in the economies of today. And so among the many things that we’re going to be looking into to improve productivity, to improve the competitiveness of Latin American economies, to move beyond being commodity exporters, and to really be involved in technology and other value-added kind of activities, improvement in education will be a very, very high priority for us.

**QUESTION:** Raphaelle Alphajeri. I’m from Hannibal TV Tunisia. My question is about the Middle East. Can you advise of the situation there and especially my country, Tunisia? And can you give us an idea of what will happen after the end of the embargo in Iran for the economic situation in the Middle East? Thank you.
DR. KIM: Well, of course, we’re very concerned about the situation in the Middle East for many different reasons. First of all, I want to remind everybody. We tend to forget the extraordinary service that Lebanon and Jordan are providing to the entire region by accepting so many of the refugees from Syria. We continue to support these two countries. We continue to be extremely grateful to them for having accepted and brought into their schools, provided health care for, provided support, for now many millions of people. We’re very much hopeful that the hostilities will decrease, but Lebanon, Jordan, and also Turkey have really been extremely generous in playing their role in the region. Now one of the discussions that we’re having right now. First of all, in Tunisia, we’re very encouraged by their reforms that have been happening in Tunisia. Tunisia's where the Arab Spring started, and we would simply encourage the government to continue along the line of reforms that were initiated a little over a year ago. So it is one of the bright spots. We really hope that Tunisia will continue to be one of the bright spots. One of the discussions we’re having now though, is can we prepare for the peace? What do we need to do to prepare for time when there would be peace? It is extremely difficult for us to do our work when there is ongoing conflict. So we’re very concerned about the situation in Yemen. We’re very concerned about the rise of ISIS. And so one of the questions that we’re trying to address and it’s not dissimilar from what I just said about Latin America. The Middle East is another area where increasing investments in education have not yielded better performance on standardized global tests. And so we’re very happy this week to have Dr. Ali, the President of the Islamic Development Bank here. He and I spoke about working much more closely together on a grand collaboration on improving quality of education. You know the possibility that better technology can bring high quality teaching into classrooms today instead of having to wait 20 or 30 years to train a cadre of teachers that are world class is really quite striking. We think that we actually can improve the quality of education fairly quickly in situations that before would have had to wait literally decades until the quality of the teachers improved. You know, the Middle East, if we can create more jobs especially for young people, if we can improve the quality of education so that again they can participate in the modern economy, and if we can address some really serious problems, for example, access to water. The entire Middle East region, if you look at the average consumption of water in the entire Middle East region, it's actually below the level at which we would identify a crisis in water consumption. So we need to improve access to basic things like water, improve access to education and help young people feel that they have more options than to join extremist groups. And we think that that has to really focus on quality of education, and then at the same time, making the kinds of
investments in the private sector that will lead to the kinds of jobs that the young people will want.

**QUESTION:** (off mic)

**DR. KIM:** Excuse me?

**QUESTION:** (off mic)

**DR. KIM:** What about Iran?

**QUESTION:** Yes, I have a question about what will be the look like, the kind of a situation after the end of the embargo in Iran, for the Middle East.

**DR. KIM:** Yeah, it's still early. You know, Iran is a member of The World Bank Group, but we currently don't have any projects with them because we respect the embargo. If the embargo is lifted, then we'll begin discussions.

**QUESTION:** My question is relating to the shadow bank governance. And as The World Bank (inaudible) in regarding those existing the shadow bank in China currently, so how do you evaluate or maybe how to enhance the performance of monitor to solve these problems, and in your perspective, what is the global governance to deal with this question? Thank you.

**DR. KIM:** You're asking about shadow banking in China?

**QUESTION:** Shadow banking in China.

**DR. KIM:** In China, specifically.

**QUESTION:** Yes.

**DR. KIM:** Well you know, this is an issue that Governor Zhou and Minister Lou are very much aware of and so you know, I think we feel overall, that the Chinese authorities are very much on top of the current situation of indebtedness, public indebtedness, of national indebtedness, the rise of the shadow banks. Our own sense going forward is that the
Chinese authority are very well equipped to deal with whatever might happen and we don't think that the risk of a disorderly unwinding or a disorderly event related to the current subnational indebtedness or the shadow banks is a high possibility. We actually think it's really they're very low risk of something disorderly happening as a result of that. Now you know, this is a Chinese issue. This is an issue of regulations within the Chinese government. There's no global governance that I think is going to dictate what China does about this particular situation. Gentleman in the white here, yeah.

**QUESTION:** Good morning Mr. President. I'm Luka Barsali from the Italian daily (inaudible). I would like to have an update on the restructuring process in The World Bank. Last time our meetings were disturbed by large protests from the works in The World Bank and I would like to know if this process has become smoother?

**DR. KIM:** Yes, you know, we undertook what some have told me is the largest restructuring of The World Bank in memory, and not only did we change the structure of the institution but we went through a 400 million dollar expenditure review. So the expenditure review we identified all the sources and now it's just a matter of the final stages of implementation. And as with any structural change, you have some anxiety and dislocation and that's where we were in the last annual meetings. But we've hired we've actually brought in now an outstanding team. We're working through any of the hiccups that we've experienced before. Things are much smoother and I have to say, we are very very happy that we did the things that we did. For example, if we had not done the 400 million dollar expenditure review, we would have had to start it today. Because the record the period of record low interest rates for such a long time has a direct impact on our income, so the fact that we did it, has been very positive for us. Also, the structural reform was motivated by really one overpowering objective and that is, to ensure that global knowledge is linked to lending and it gets from anywhere in the world to anywhere else in the world. And as we see now the rise of the different development banks, that particular change was really critical, because that will always be our role, no matter what other banks arise, the fact that we are a global institution that can link global knowledge with lending, will always be our hallmark. And we've strengthened that part of the institution considerably as a result of the change.

**MR. DONNELLY:** In the far back there, black dress, with two hands, yeah. Touch down.
QUESTION: Good morning, Chavon Benjamin, Bernita, of the Caribbean. Energy for us in the Caribbean seems to be a strangulation. I'm trying to get the sense of what you think are the options for us there in the Caribbean, as it remains a huge challenge. Secondly, you mentioned comprehensive structural reforms and a number of our countries are undergoing such process, but from your surveys and from your analysis, our local economy seems to believe that they're not succeeding, they're not working. What do you think are some of the flaws hindering our economic development? And secondly, give me an appreciation of the economic outlook for the Caribbean. I'm not hearing that.

DR. KIM: Yes. The economies that are closely linked to the American economy, with the growth of the American economy, we think will do better. The situation for energy is complex. Some countries in the Caribbean were receiving generous subsidies from Venezuela and with the drop of oil prices, that has become a very difficult situation. There is no simple answer for efforts in the Caribbean.

We continue to watch closely the situation in Jamaica. We are very encouraged by the pretty dramatic reforms that they were able to put in place, but we are going to have to follow each one of those economies carefully. Haiti is another country that I know well, and the infrastructure needs, the levels of poverty continue to be a concern.

The hope is that the improvement of the economy, the global economy, and especially of the American economy, will help somewhat, especially in tourism. We are very aware of the problems, for example, the lower oil prices are presenting to many Caribbean economies.

We are helping individual countries as much as possible through our own lending and technical support. Some countries are undergoing great difficulty right now, and we are doing our best to pay attention to each one according to what they need at any given time.

QUESTION: Good morning, Mr. Kim. I am Joanna Morales from a newspaper in Mexico. As you mentioned, we have important reforms, but we still don’t see bigger growth. Can you explain how do you see this? Thank you.

DR. KIM: I think there very well could be a delay in experiencing the direct impact, but when you see what this government did in terms of the telecom industry and the energy industry, for example, now there is a new China-Mexico Fund for infrastructure and other
kinds of investment that is actually run by our private sector group, IFC. IFC is the administrator of it.

I think what you are going to see is a lot more interest in investment in Mexico. Of course, the impact of investment on growth, there is a bit of a delay, but I think what you will see is the capital markets and investors overall have a very different view of Mexico today than a few years ago.

Again, what we see is if you have a system in which the monetary policy is very transparent and clear, again, Agustin Carstens is one of the most respected people in global finance, and he’s been very clear, very transparent about where he is going.

When you see serious efforts at fiscal prudence, governments that look at their budgets, look at their expenditures very carefully, and then when you see that next step which is the seriousness of structural reforms, the markets will respond. I think you will see that over time in Mexico. The seriousness and the commitment to the structural reforms, I think, has sent a very powerful message to the rest of the world.

**MR. DONNELLY:** I think we have time for one more question.

**QUESTION:** What can you say about criticism of the World Bank loans to Uzbekistan when there is no progress in structural reforms, human rights? Thank you.

**DR. KIM:** In which country?

**QUESTION:** Uzbekistan.

**DR. KIM:** The World Bank is a cooperative of 188 countries. Our role is to try to end poverty and boost shared prosperity. There is a huge variety in our membership. Countries are at very different stages in tackling any given set of problems. With every country, including Uzbekistan, our role is to try to engage as much as possible, to try to find ways that we can work with governments so we can specifically focus on helping them to lift people out of extreme poverty, and to boost the incomes of the bottom 40 percent.

We are not a political organization, but we try to work in all kinds of complex political situations, so that whatever happens to be going on in the political sphere, we can continue
to work to lift people out of poverty and boost shared prosperity. It makes for a very complicated job, especially for me, but that’s the nature of multilateralism. Multilateralism is always complicated. It always is fraught with disagreements.

Our goal is still very clear, end poverty, boost shared prosperity. We will continue to try to engage with governments that we can engage with to have that impact.

**MR. DONNELLY:** Thank you.