Transcript: Spring Meetings
2014 Closing Press Conference

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World Bank Group President Jim Yong Kim, Chairman Marek Belka, IMF Managing Director Christine Lagarde
Development Committee Closing Press Conference
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Transcript

MR. DONNELLY: Hi, everyone. Thank you for coming. It's good to see all of you. This is the closing press conference of 2014 Spring Meetings of the IMF and the World Bank Group.

We will have short statements from all three participants, and then we'll take your questions. And when you ask questions, please identify yourself and your organization.

First, we're starting with statements.

Chairman Belka, please start.

CHAIRMAN BELKA: Thank you, ladies and gentlemen. Welcome to this press conference on the Development Committee meeting.

I am joined here by Jim Yong Kim and Christine Lagarde, no surprise to you.

But we have a number of items on our minds today. We had a very rich discussion during the plenary meeting, on which the issues of global significance, the prospects of development, especially in the emerging world, were discussed. What can be said in general, and it will be elaborated by both Jim and Christine is that there was a very broad, uniform support for the twin goals of the World Bank Group, as formulated during the previous meeting.
And this support, many people observed, was not only reflected in speeches, in words, but also in deeds, which was shown clearly during the recent replenishment of the IDA, which proved to be extremely successful. But let me also say something about the discussion during the informal lunch of the Development Committee, during which we discussed the internal reform of the World Bank Group, an issue that is discussed not only within the Bank but by international press, and one had an impression of resounding support for Jim. Virtually—literally everyone form the advanced countries, from the low-income countries, from emerging countries, all the participants, all the attendees, expressed admiration for the successful change that is going on within the Bank, a shake-up, which is never easy, but has a potential to release a lot more from the excellent group of people that we have in the World Bank Group.

What was stressed was determination and courage, that Jim showed during this process, and this is something that helps him and all of us to continue with this process.

Now, I give the floor to Jim.

**Dr. Kim:** Thank you very much, Marek, and also for Christine for being here.

A year ago, the Governors gave us the great gift of the twin goals, a deadline for the end of extreme poverty and a focus on boosting shared prosperity.

Six months ago, the Governors approved our strategy, and today I was very humbled to receive such a strong endorsement for the change agenda that we've put forward. We have made a lot of progress and what I communicated to the Governors was that we will continue to focus all of our efforts on improving our ability to serve clients. The focus on countries and the focus on clients taking the lead in their own development strategies was emphasized again and again, and we are very excited about the response to the approach we're taking to develop country partnership frameworks that, for the first time, will include the entire World Bank Group, the IBRD and IDA, of course, for the public sector, IFC in the private sector, and also MIGA for the political risk insurance and credit enhancement.

So, despite the fact that there have been great difficulties in doing something that's so vast, the change process, so quickly, we were extremely encouraged today with the discussion that we had with the Board.

We also reported to the Board about success in developing—in bringing together Global Practices and cross-cutting solution areas. Just as we knew that we had to work across the public and private sector in order to meet the demands, the increasing demands, for public
and private solutions throughout the world, we also knew that we had to improve our ability to deliver the best knowledge, the best solutions, in the most effective way. There was also very strong support for the direction we were going with the Global Practices.

We had a record IDA replenishment. We are going through an expenditure review where the $400 million that we pledged to be able to reduce, we reported to the Board that we're more than halfway there. We talked about a new budget and planning process where we will correct our course and continue to evolve on a very regular basis, and we also received very strong support for the new financial arrangements that will allow us to increase our overall lending from 45 to 50 billion to more than 70 billion over the next few years.

I just also want to end with an acknowledgement of the IPCC Report that was just released. There were, of course, very alarming data, global--the greenhouse gases are rising, emissions have not been reduced, and IPCC once more let us all know that we are not on a course to keeping global warming below 2 degrees Celsius.

We have an enormous agenda that we must tackle, and we did part of that here during these meetings where Madam Lagarde, the UN Secretary-General, and I met with 40 Ministers of Finance to talk about strategies going forward. We talked about the need for a carbon price and the need to reduce fossil fuel subsidies, the importance of energy efficiency and improved strengthening performance standards, and also finding ways of providing long-term finance for renewable energy.

We will continue to work on the climate change agenda and we very much appreciate Christine's great leadership in bringing climate change to the attention of the IMFC and to bringing that as part of the agenda of the IMF.

Thank you.

MR. DONNELLY: Thank you. Madam Lagarde.

MS. LAGARDE: Well, thank you very much, and following from what Jim has just indicated, I want to reaffirm in front of you that the IMF is going to continue to focus on what we regard has macroeconomic criticality and we will provide our expertise and support of the great initiatives that the World Bank is charged with. And by that, I mean, we will continue to work on the issue of inequality and fiscal, the issue of gender inclusion, growth, and the job market, and we will continue to work on the fiscal aspect of climate change and how those matters of macroeconomic criticality can be addressed using fiscal tools. And
we will bring that expertise to the table without intruding in other's territory in any shape or form, and I was delighted that the IMFC actually supported and encouraged that initiative. Very quickly, on development: When we look at the economic situation at the moment, we realize that, while it has slowed down a little bit, emerging and developing countries still contribute the bulk of growth, with Sub-Saharan Africa being the second-fastest growing region in the world and growing at a rate of about 5.5 percent.

The worry on that front is clearly a combination of debt accumulation and fiscal space being reduced with the opportunity of using reduced inflation in those countries to actually address the two previous ones that I've identified. That's on the recovery side.

On the pursuit of growth, which we believe is important for the developing countries as well as the emerging market economies, the two issues that are very important going forward, in our view: Number one, it's the handling of capital flows; and number two, maintaining growth through investment in infrastructure and making sure that growth is inclusive.

And all of that, notwithstanding the fact that commodity prices have gone down and are much lower, and the fact that fiscal tightening makes the situation more difficult. The Fund will continue to help. As I have mentioned, we are supporting currently programs in 20 low-income countries. We have opened our fifth regional training center in Accra, in Ghana. We are covering now the whole of Sub-Saharan Africa, and we will continue to do so.

Thank you.

**MR. DONNELLY:** Thank you. Now, we can open it up for questions.

**QUESTION:** Thank you. My name is Zhang Hong from China’s Caixin Media. Madam Lagarde, this is the last opportunity I ask this question. I hope to get a real answer from you about the IMF governance reform.

It was decided by the G20--both the G20 and the IMFC that, by the end of this year, if there is no ratification by all the countries, the IMF will be tasked to seek alternatives.

But yeah, let's be realistic: It is very unlikely that U.S. Congress would ratify the reform by the end of this year, so what kind of real alternatives do we have to move forward the reform without U.S. Congress approval?

Thank you.
**MS. LAGARDE:** Well, thank you for the third time you're asking the same question. So, I'm afraid that I'm going to give you the same answer, which is that Plan A is going to be explored to the end and in depth, and if that Plan A doesn't work, then we'll worry about Plan B, but it's currently premature and you'll have to wait until another press conference to get another answer.

Thank you.

**MR. DONNELLY:** Thank you.

Another question? Anna.

**QUESTION:** This question is a bit more—

**MR. DONNELLY:** Just identify yourself.

**QUESTION:** Oh, hi, this is Anna Yukhananov, from Reuters. Thanks for taking it. We just went to a panel, "Listening about the Future" by--or IMF after 70 years, but it brought up wider development questions, such as the idea that technological change is going to create more unemployment, not less, as we go forward.

So, I was wondering what that means for development. You're promoting private sector as a huge part of what the World Bank is doing, but do you have a guarantee that that's going to come with jobs for all the people that want them?

Thank you.

**DR. KIM:** Let me start with that. So, I know that's a great question and we think about this all the time. And so, one of the things that has also been important--and again, this is really a tribute to Christine's leadership, the other issue that the IMF has brought to the table is inequality, and we of course have talked a lot about inclusive growth. So, one of the things we're doing is we're trying to figure out, so, what does that mean? Are there specific things we can do to enhance inclusive growth?

And so, for example, investing in human beings, health, education, social protection, we know that those things can be helpful. On the other hand, the reason we built the Global Practices is we want to be able to say, you know, just shifting your budget to health or to
education, if those systems are broken, that may just increase your expenditures and actually not lead to inclusive growth. So, we want to be able to provide great insights into how to make those kinds of human investments and make them effectively.

Also, we're looking very carefully at what kind of investments in the private sector lead to the creation of jobs.

And you know, for example, countries like Mexico have had such great success reducing extreme poverty. Now, they're really thinking about how to link their social protection programs to the movement of poor people into formal jobs. These are not easy to answer questions, but just to take one particular issue, for example, there was strong support for our notion of a Global Infrastructure Facility that the World Bank would lead but everyone else would participate, meaning the multilateral development banks, the bilateral donors, and also the private sector.

And one of the questions we're asking is, are there more inclusive ways of building infrastructure? In other words, are there ways of investing in roads and bridges and energy that will lead to the creation of more jobs as opposed to less?

I mean, we know, for example, that investments in extractives are not particularly job creating. But are there ways of setting up those kinds of arrangements so that the benefits from the extractive industry can be utilized to build more inclusive growth?

These are not easy to answer questions, but we are very much focused on tackling that particular issue: How do you build inclusive growth and how do you have economic growth and, at the same time, lessen inequality?

**MS. LAGARDE:** Conventional wisdom has it that technology actually does not benefit the poorest and the most exposed, because you need to be educated and trained to that effect. I'll give you two or three examples where it's just not right, not true. Technology, if utilized, for instance, for the farmers in the agricultural businesses, can be extremely helpful to plan, to anticipate weather forecasts, and to organize oneself.

Number two, in the area of microcredit, for instance, in order to reach out to people that would not be otherwise reached through the normal banking retail system.

And finally--and Jim and I are both great admirers of that system, what has been put in place in India in order to identify people using the smartest, most advanced technology, in
order to actually pay benefits to people who otherwise would never receive the full benefits that they are entitled to.

Those are three examples where technology, including the private sector actors, can be extremely helpful for development.

**DR. KIM:** And another example is what Alibaba has done in China. So, access to the Internet and access to their website has brought more players into the market. One of Jack Ma's proudest achievements is that people who were previously quite isolated from the market because of the development of transport and access to the Internet, are now shipping their crafts all over the world.

So, this is precisely the question for us: How can we make sure that technology does serve the purpose of reducing inequality, building a more inclusive growth?

**MR. DONNELLY:** Thanks.

Sandrine.

**QUESTION:** Sandrine Rastello, Bloomberg.

Since you mentioned the Infrastructure Facility, I was wondering if you could tell us why it's not moving faster. You had mentioned last year a governance point of division. And my second question is you mentioned IDA, as well. China boosted its contribution to IDA by quite a bit. Have we entered a new era where China is playing a major role now as contributor, as a major player at the Bank, and the IMF, as a matter of fact?

**DR. KIM:** Well, we got a great boost for the Global Infrastructure Facility at these sets of meetings. We're especially grateful to Australia. Australia has made infrastructure a central part of the G20 agenda this year. And so, in meetings with Minister Hockey and in statements that he's made, it's very clear that the G20 and the Development Committee, as well, are anxious for us to take this forward.

So, we are going to move forward, and our plan is to at least do one pilot project before the end of this year. So, the idea is that this will be a platform, and while we'll be hosting the platform, the participation will come from all the multilateral development banks, and also individual countries, the private sector.
And what we're trying to do is take projects that are in developing countries, for example, requirements for infrastructure, but because of the lack of an organized approach to project preparation and other efforts to de-risk these projects, they're not currently bankable. But we feel that if we work together with all these partners, we can turn opportunities into bankable projects, and once we do that, we will recruit investors from both the public and the private sector, and work to illustrate that this is a viable and potentially an extremely important way of trying to meet the enormous demand for infrastructure today, especially in the developing world.

Oh, and China, yes. So, we're extremely grateful to China. So, China made a--there was really an enormous jump in the contributions of China. And we also just take very seriously the sacrifice they made in order to provide that kind of support. And we continue to work with them very closely.

They are still a borrower, which is great for us, because when they borrow from us, we learn ourselves a lot from implementing those projects with them. And we just recently completed a report on urbanization that we think will be relevant not just for China but for countries all over the world.

MR. DONNELLY: Okay. Another question?

Okay. Thank you very much for attending.