

# TRANSCRIPT: Reuters Newsmaker Event with World Bank Group President Jim Yong Kim

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## Transcript

**MR. SMITH:** Good morning. We're honored to have Dr. Kim as our guest this morning and he comes here directly from attending the G8 meeting in Northern Ireland. This is President Jim Yong Kim's first major public event in London since he was appointed World Bank Group President last year. This Newsmaker coincides with the release of an important new World Bank report on climate change. There are hard copies of the report outside of the auditorium and memory sticks on all the seats in the auditorium.

Dr. Kim's made tackling climate change one of his priorities for the World Bank Group and he's called it a "fundamental threat to economic development and the fight against poverty." As he nears the end of his first year in office, Kim's developing a new strategy for the World Bank Group: to be put to the board at the annual meetings in Washington in October of this year. This strategy will be based on two guiding goals for the organization: One, the end of extreme poverty by 2030; and secondly, ensuring shared prosperity by boosting the incomes of the bottom 40% of the population in each country.

We're pleased to have him with us here today and we're pleased to be at the center of the discussion at such an important time in the world. With that, I'll turn it over to Dr. Kim.

**DR. KIM:** Thank you very much. It's great to be here and I'd just - to begin with, let me apologize, I'm fighting a bit of a cold and so you may have seen me popping – those are throat lozenges, nothing else, I just want to let you know. I'm pleased to be here today to

release our new climate change report called “Climate Extremes: Regional Impacts and the Case for Resilience”. Last year, we published a report on the challenges we’d be facing if the global temperature rose to 4 degrees Celsius above pre-industrial levels. As you are aware, 4 degrees Celsius presents us with a world of extremes that must be avoided at all costs. Today for the second report, we asked scientists at the Potsdam Institute for Climate Impact Research and Climate Analytics to prepare a climate forecast for a range of temperatures up to 4 degrees Celsius with a special focus on 2 degrees Celsius. We asked them to drill down for a detailed look at three regions: Sub-Saharan Africa, South Asia and Southeast Asia because climate change will affect regions differently and because a 2-degree Celsius world will disproportionately hurt the poorest.

The conclusions in this report should make all of us lose sleep over what our world will look like in our lifetimes. The conclusions are clear. A world that warms by 2 degrees Celsius, perhaps in just 20 or 30 years will cause vast parts of Africa, African croplands to wither, submerge large swaths of cities in South Asia and kill off much of the fisheries in some parts of Southeast Asia. We must do all that we can to avoid these catastrophes. This report tells us that talking about climate change averages obscures the real dangers ahead. It tells us that the rise of temperatures by a little over 1 degree Celsius on average is not a matter of slightly warmer days. A 1-degree Celsius difference means that the world, for instance, will start processing water much differently which will lead to shortages of water in some places, flooding in other areas as well as more cyclones in still more areas.

Consider these forecasts in the report. In Sub-Saharan Africa by the 2030s, drought and heat will leave 40% of the land now growing maize unable to support the crop any longer. In South Asia, shifting rain patterns will leave some areas underwater and others without enough water for power generation, agriculture or drinking. Sea level rise coupled with more intense tropical cyclones could mean extensive flooding in coastal areas of Bangladesh as well as in cities such as Kolkata and Mumbai. In Southeast Asia, at 2 degrees Celsius, maximum fish catch will decline by 50% in the Southern Philippines. Loss of the coral reefs would diminish tourism, reduce fish stocks, and leave coastal communities more vulnerable to less frequent but increasingly violent storms. Across our regions, the growing movement of impacted communities into urban areas could lead to ever higher numbers of people in slums and other informal settlements being exposed to heat waves, flooding, mudslides and epidemics of disease. This is a 2-degree Celsius world. It’s coming unless world leaders do something about it. At the World Bank Group we’re doing everything we can to avoid a 2-degree Celsius world in light of these and other findings on climate change, every project

that we do now will be informed by analysis that spells out any impact on climate change. We are developing tools that help countries better assess and adapt to climate change, including greenhouse gas emissions tracking, helping countries become more energy-efficient and advising them on building more climate-resilient infrastructure. We're working with partners on building low-carbon climate-resilient cities, transforming the way we farm to maximize productivity and resilience and doubling global renewable energy and efficiency. And we can't ignore the financing challenge. The world needs to find innovative ways to set an appropriate price on carbon and roll back fossil fuel subsidies. If we can get prices right, we can redirect finance to low carbon growth, lessen the chances of a 2-degree warming and avoid a 4-degree world.

I hope this report will help convince leaders that the benefits of strong, early action on climate change far outweigh the costs. Our successes and failures in this fight against climate change will, in my view, define our generation. Thank you.

**MR. ADLER:** Well thank you, Dr. Kim. It's great to have you here.

**DR. KIM:** Thanks, Steve.

**MR. ADLER:** You all probably know Dr. Kim's extraordinary credentials as a doctor, as an anthropologist, a co-founder of Partners in Health, was recently President of Dartmouth College. You may not know that he was the quarterback – this is important to people who know American football – he was the quarterback of his high school football team in Muscatine, Iowa and he was also point guard on the basketball team. So you immediately know that the leadership skills started very, very early.

**DR. KIM:** Well don't be too impressed, our football team lost every game and we had the longest losing streak in the nation, 56 games in a row. So it was a multi-generational losing streak.

**MR. ADLER:** It was a better introduction if you hadn't said that. So again, let's – since you are just back from the G8 and I think everybody was very interested in what happened at the G8, probably the most enduring image from the G8 is that wonderful Reuters photo of Presidents Putin and Obama sitting there which has got to be a textbook study of the meaning of body language because it's quite extraordinary. But one thing that did come out that didn't actually get a lot of publicity was that the G8, in its communiqué, did endorse the

signing of a greenhouse gas emissions pact by 2015. How significant is it that the G8 supported it and Russia's going to be very important and that other emerging countries? Do you think we're really heading towards that type of agreement?

**DR. KIM:** Well I sure hope so, Steve. In the United States, of course, now that you mentioned it, of course President Obama's been very clear especially in his second term that he's going to tackle this problem. John Kerry, the Secretary of State is probably the champion previously in the House and the Senate on tackling climate change. So we have a lot of hope that the United States is stepping forward. It's great that the G8 endorsed a real movement, I think, toward a global agreement. The other country that I think has moved a lot even in six months is China. I mean they have introduced some really aggressive, the Shenzhen trading scheme, carbon trading scheme, they're really serious about establishing a national carbon market. And in my recent talks with them, they said that this past winter where the pollution was so bad and the figures are coming out, now 1.2 million people died last year as a result of the pollution. I mean these folks - In China. This is the black carbon, the so-called short-lived climate pollutants that have just wreaked havoc in China. And so there's a new spirit in China. The new government, I think, is really committed to tackling climate change. And so if we can get the European countries, the United States and China to agree to really tackle this issue, that's the huge bulk of the issue. This is where we really have to make progress.

**MR. ADLER:** So climate change still remains a controversial topic despite the fact that there have been so many scientific reports like this one. And there was a report in May that came out in Nature Geoscience that's gotten a lot of attention that suggests a slowing of global warming in the last 14 years. And opponents are doing the types of things you support have seized on that and said look, this is not a serious problem as people have said. What's your read of that report and how significant is it in shaping global opinion on the topic?

**DR. KIM:** The critical thing is that you can't really look at the last 10 years which that report - it was really a 10-year study. And the key is looking back from pre-industrial times through now and looking at what the trends are. Because of that report, the scientists went back and asked the question, so what did happen? Did it really slow down? What was really the reason for it? And it turns out that much of the carbon was absorbed in the deep ocean. So for example, what we're seeing is that greater acidity when carbon dioxide goes into water, it turns into acid makes the water more acidic. And so that's what has happened. So presumably, the ocean has a carrying capacity. At some point it's going to stop being able

to absorb the carbon. And then the thing that we're really worried about is that that might have happened because the carbon was enough to have the water absorb it. And then at some point it's going to stop. And so we could see then a really rapid increase in global temperatures. The point is right now there is 97%, 98% agreement that human-caused global warming is a reality. And so in my view, in medicine, there's almost nothing that I can think of that has 97% or 98% agreement. And so it's, if you disagree with the science of human-caused climate change, you're not disagreeing that there's human-caused- that there's human anthropogenic climate change. What you're disagreeing with is science itself. And as far as I know it's the best we got, that modern science is the best we have. And so I think it's really the time to stop arguing whether it's real or not. The scientists agree and I think the effects that we're seeing today are really quite real. We have to move on to start thinking about what we can do to both mitigate and adapt to climate change.

**MR. ADLER:** I mean thinking about your report, it's really highly apocalyptic. And my sense is that people don't respond that well to long range apocalyptic predictions. And we face it in business, we face it in everything, the short term versus the long term. So how do you get people to focus on something that appears to be off in the future when they're facing so many immediate problems, the economy's struggling, all the issues we all face. Why should people focus attention or how can we get them to focus attention?

**DR. KIM:** Part of what we're trying to do in this report is bring attention to it. But in bringing attention to it, the other thing that we want to do is just to give people a sense that there are things we can do right now. We need a global agreement. We need a global carbon market. We need countries all over the world to remove fossil fuel subsidies but those are really hard things to get to politically. In the meantime though, there are so many things we can do and one of the things that we're trying to stress in this report and all of the work we're doing is there's an opportunity right now to move toward renewable energies. There's great new technology. There's an opportunity right now to build cleaner cities. There are cities all over the world that have already made huge strides. For example in New York City, Mayor Bloomberg said we're going to reduce our carbon footprint by 30% by 2030. They're going to get there by 2017. And all the companies and the buildings and the people of New York City have gotten together and moved much more quickly than anyone thought. I was just in Delhi and it's an amazing sight to be behind a bus in Delhi. Now I've been to developing countries all over the world and you just expect black stuff to be coming out of it. Nothing, because the Supreme Court mandated that all buses and even the little puttputt motorcycles have to run in natural gas. So Hong Kong decades ago decided they're going

to cut the number of cars in the city of Hong Kong by half in a pretty short period of time. So there's things we can do right now, cleaner cities, renewable energy and climate-smart agriculture is a term that's thrown a lot these days. But there's tremendously exciting things that are going on in ways of new forms of agriculture, new ways of terracing and protecting the river banks - these kinds of interventions can have a huge impact on preserving the environment and actually putting carbon back into the ground. We have to now get to the stage where we're working everyday to do the small things that we can do right now and then push our leaders to come to these global agreements.

**MR. ADLER:** So you don't think the small things taken together add up to enough to make a big change. But in part what you're saying is if we see some results locally it might encourage global leaders to take it more seriously?

**DR. KIM:** Let's just take one issue, the so-called short-lived climate pollutants- this is an issue when she was Secretary of State, Hillary Clinton really championed. I mean these have a huge impact and it's the black carbon that has had such an impact. So the black carbon is doing a bunch of things. Right now these are inefficient coal-burning factors that are spewing this black stuff in the air. We can decrease short-lived climate pollutants dramatically in a short period of time. Here's what it's doing. First of all it's getting in people's lungs and killing people. This is what we're seeing in China. But it's also going up into the air and covering the snow-capped peaks of mountains and that by making them darker it absorbs some light and it increases the melting. But if we can take action on those right now, we can actually delay the rise of temperature to two degrees centigrade. So these are not small things. If we can move rapidly to more renewables, if we can build cleaner cities and if we can institute climate-smart agriculture everywhere, we can have a very major impact on global warming and we can do it today and the real point Steve is that this is not a bleak future where nobody's showering and no one has energy. This is a bright future where people do have energy, people are living in economies that are growing but it'll just be a lot cleaner.

**MR. ADLER:** Okay. Your report goes into so many different risks to growth from global warming. It's a little hard to get your arms around kind of what are the most serious ones. What are you most worried about? Is it water or is it the lack of water, is it too much water? I mean if we can focus on kind of one major problem perhaps in one major place, just illustrate what you're most concerned about.

**DR. KIM:** Climate scientists say that carbon is the currency of climate change, water is the teeth. We're already seeing struggles and conflicts over access to water. This is what I'm most worried about. The fundamental issue, Stephen, and one I wasn't really aware of before coming into this job is that the earth is fundamentally handling water differently. The jet stream has changed. The El Nino and La Nina effects are changing.

**MR. ADLER:** Is that why it rains here now all the time? Instead of most of the time?

**DR. KIM:** Well this is one of the recent findings, is that the very wet summers are related to the way that the earth is handling water differently. What some of the climate deniers say is, how can you tie a particular event to climate change. And that's not what we're saying. We're not saying that a particular event and climate change are directly causing and related. What we're saying is that the climate change scientists have predicted that extreme weather events are going to increase in number. And so we are having- I can't- I've lost count of the number of once in a lifetime events that have happened in the last two or three years. Duh, there's something going on here folks. Once in a lifetime events all the time? So this is what the prediction is. And so it's a hard thing because there's not a direct if I do this, this will happen. It's a kind of collective solidarity that we have to exercise on behalf of our children. But it's not just on behalf of our children. Let me just give you an example. By the 2030 or 2040, if we get to two degrees Celsius, Bangkok could be underwater. So if you Steve are planning to retire in Bangkok which is a great place, you'd have to rethink your plans. This is very real. I have a 12-year old, 13-year old son actually just had a birthday, and 4-year old son. And for them, this is real. And I can just see it. My kids already I can see the way they're going to talk to me. They're going to say, oh thanks Dad, you were President of the World Bank, what did you do when you knew this was going to happen to us, how could you have given us the world where we know that so many people who don't have water, where we know- just think about it. 40% of the land today used to grow maize in Africa won't be able to grow it anymore. This is huge. So the UK government I think very rightly has focused on nutrition. And they focus really I think brilliantly on something called stunting which is kids who are lower height for age, meaning they're malnutrition has gone on for a long time, chronic malnutrition. This is going to be everywhere. I mean we're going to have this problem everywhere. And so for us, now that we have set this goal of ending poverty, there is no way we're going to get there by 2030 unless we begin to tackle this issue aggressively.

**MR. ADLER:** I mean it strikes me for the World Bank, you're in an interesting position on global warming because there are some things one can do for people that would not be favorable for the global warming side. And in the past the World Bank has for example promoted coal-based projects in countries that didn't have enough electricity. That would not seem to be good for the environment. On that sort of trade-off, where would you come out on kind of the coal trade-off? And you'll probably go to the subject of clean coal, so do you really think there's such a thing as clean coal?

**DR. KIM:** Let me put it this way. I have two seemingly impossible things to reconcile. But in fact I think that they're reconcilable in a lot of different ways. On the one hand, we've got to fight climate change. But we know that the vast, vast majority of the climate pollutants certainly historically but even today are coming from the United States, Europe and China. Those are the three main sources of carbon. We have got to make progress there. That's really where most of it happens. And then we've got this other issue which is very real to us, is that people need energy to grow in order to grow. So let me give you an example. The great Ellen Johnson Sirleaf who was also at the G8 meeting, she became President in a country that had been in war for decades. And so now they've had 10 years of peace. But they have a total of 21 megawatts of installed electrical capacity. That's nothing, that's like a couple of city blocks in London. And so when I met with her and every time I speak to her she says to me, I need energy and I need energy so that we can get private sector investment so that I can create jobs. She said to me, I have 39 year old men who've done nothing but be soldiers their entire life, they need jobs or they're going to pick up their guns again. So this is very real for her. And so in Liberia, I've got to figure out a way of quickly providing her the energy she needs to keep her people living, to attract the kind of private sector investment that will create jobs that will keep people living and not fighting in the jungle. She needs electricity for hospitals, for schools. This is very fundamental. So I've got to weigh those two all the time. And, you know, there some— we know that there are coal-burning plants that are incredibly dirty, and we know we can make them cleaner. It's never going to be as clean as solar or wind, but we know for sure we can make them cleaner. So if I have an opportunity to go into a setting and turn an extremely dirty coal-burning plant into one that's cleaner in a country that's extremely poor and needs the energy, I'm going to try everything I can to avoid investing in coal. We know that's the dirtiest form of energy. I'll do everything I can not to invest in it, but I can't look Ellen Johnson certainly from the eye and say because the West has been polluting and China has been polluting for so long, you're going to have to wait. You're going to have to tell your people that they're not going to have jobs, that they're not going to have electricity for the hospitals, they're not going to

have electricity for the schools. I can't do that so I've got to figure out a way in every single case to balance those two too.

**MR. ADLER:** So let's turn away from this for a moment, from global warming, and talk about a few other things. One of the things the World Bank does is it estimates growth both in the world generally and in developing markets. And the latest report showed growth in developing markets I think at 5.1% in 2013, going up to 5.7% in 2015. Is that good enough, and what do you see as the main threats to growth going forward, particularly take a look at the potential elimination of quantitative easing in the US and maybe what Japan is doing?

**DR. KIM:** One of the things before – I'd be happy to go there, one of the things that I'd say and in every single G-20 finance ministers meeting, I've made the point that climate change is a short-term, medium-term risk to the global economy. And, you know, people still think it's about their grandkids. It's really not. It's right in front of us. So let me put that on the table first. It's a real threat. You know, the developing countries, let me just give you an example. I was at the Tokyo International Conference on African Development. It's a wonderful meeting where there were I think 50 heads of state from Africa. And the Japanese people have been extraordinarily generous over the years to Africa, so it was wonderful to see them all get together. And as I was walking in, I was talking with my Vice President for Africa Makhtar Diop who was the Former Finance Minister of Senegal, and he said, you know today, as opposed to five years ago – these meetings happen every five years – what a different story. Five years ago in 2008, the African heads of state walk into that meeting and people were thinking, what on earth is going to happen to Africa now that the economic crisis looks so bad right now? What on earth is going to happen then? What happened then was over 5% growth throughout that period of time. And now they're walking into this meeting confident. Not a single African country's in hyper inflation. They have done so many things right. They in fact walked in saying look, you know, we have more fiscal space than just about any other – we've created that fiscal space. We weathered the downturn very well. We took these difficult measures in terms of fiscal consolidation years ago. We got the macroeconomics right. And now, what we want most is investment. It was really incredible. And so I think that's one of the things that now we have to worry most about. What the African leaders are saying is, in this age of very low interest rates, why is it so difficult to get access to long-term capital for infrastructure? The BRICS countries are talking about a BRICS bank. Of course I meet with them all the time. And what they tell me is, look, we have \$4.5 trillion of necessary infrastructure that we have to build in the next five years. And even for us in these low interest rate times, we're having trouble finding long-term capital.

So it's not a surprise if they're talking about a BRICS bank. \$4.5 trillion, and in the amount of capital out there in the world that's so small. So that's the real concern, that as quantitative easing slows down – and another real concern is if there was a sudden stop to quantitative easing, the developing countries are really worried about access to capital. So that's one of the things we're working on. There's a huge infrastructure need, and we've got to begin to meet it. So we're working on developing something we're calling the global infrastructure facility, where we're not only putting our own money into infrastructure but we're trying to illustrate for investors – I mean again in Tokyo, there's \$1.3 trillion sitting on the sideline, earning very low interest rates. And so I went around trying to say look, Africa's a great investment. We've increased our own investment in Africa ten-fold in the last 10 years. And there's a very, very good return to be made. Moreover, what I tell the investors in Tokyo, was that you can have the most wonderful double bottom line, you can make a good return on your investment and you can also provide electricity for people who desperately need it. To go back to the Ellen Johnson story, not only does she only have 21 megawatts of installed capacity, she pays 54 cents a kilowatt hour which is five times what they pay here in London, five times. So what these investors could do is make a good return off of investing in energy and, at the same time, increase access and reduce the price of electricity in places like Liberia. But, you know, the Japanese investors were saying, we don't know. Africa's so far away. One journalist, the top financial journalist in Japan asked me a question, saying, Dr. Kim, how can you ask us to invest in Africa after what happened in Algeria? The Japanese were involved in the incident in Algeria. They lost lives. And I said, you know, Africa's not a country. It's a continent. And there are huge difference between Algeria and other parts of Africa. I said there are even differences in the investment climate between Northern Mali and Southern Mali. And one of the things that we have to do a better job of doing at the World Bank is to say, look, we think that official development in systems is really important, but it's \$125 billion a year, Steve. And I just told you the numbers, \$4.5 trillion over five years, so \$1 trillion a year almost just in the BRICS countries in infrastructure need. \$125 billion a year is not going to touch it. Now, ODA is really critical. And what we're trying to do is to make our investments with IDA, our concessional loan lender for the poorest, every time we invest these very precious funds that come from Official Development Assistance, we want it to leverage lots of private sector investment. I mean that's the story for the future. The story for the future is development won't happen unless the developing countries can get to private sector investment.

**MR. ADLER:** You've been talking a lot about Africa, so just to come back to it, there's a lot of talk of Africa rising and even the G-8 report said it was the next emerging continent. On the other hand, enormous issues there with the Islamic radicalism in some places, Nigeria and Mali. You were just in the Congo and you've gone to Rwanda with the UN Secretary General. And, by the way, I think that you said the first time the UN Secretary General and the Head of the World Bank have traveled together?

**DR. KIM:** On a mission anywhere, by the way.

**MR. ADLER:** Interesting. But I think a lot of people are curious about why the World Bank put \$1 billion into that war-torn region. And the question is, would it be effective to have that type of aid for infrastructure and health and energy in a place that were fighting is occurring at such a terrible pace?

**DR. KIM:** The Secretary General and I have been talking a lot about the historical missions of these two institutions, the United Nations and the Bretton Woods institutions, the so-called international financial institutions. And of the things he said is that, you know, the intention of the founders always was that we would hand in glove, that we would work closely together. But, you know, there's a great African saying, when the elephants fight, the grass suffers. I've been the grass most of my life in these countries, working in the village level, in the slums. And I have watched for years as these organizations have fought each other, and I kept thinking, why on earth would you do that? And so we just made a commitment that we were going to, at least from the top, we were going to send a message that we want these institutions to work together like they've always been meant to work together. And so I invited the Secretary General to come to one of our annual spring meetings. And he kept saying, he said you know, everywhere I go where there's conflict, the issue is not peace treaties. The issue is development, that if people have jobs, they will not resort to the only thing that will provide them meals, which is becoming soldiers. So it's an experiment and we hope that it's one that will work out very, very well. I don't think we have any other choice. The idea is that rather than saying, we're not going to go in and work on development projects until there's peace. What we're saying is, we're going to try to leverage peace agreements with development. So we've essentially said that as long as you abide by the peace framework, we're going to go in aggressively and use this \$1 billion for really basic things so that – half of it is for energy. One of the big investments is in something that's very exciting, the Rusumo Falls hydroelectric power project which is a run of the river project. In other words, we don't back up water. You use the run of the river to

create electricity. And you lose about 20% of the efficiency, but it's a very exciting project. And that area desperately needs energy. It's amazing how little energy's available in that region. And so energy is critical because companies won't come in unless there's energy. I mean right now in Myanmar, we're working like crazy to create more power because Korean and Japanese and Chinese companies want to come in, set up shop, and help. And their governments have told them that they really want development to happen in Myanmar. There's got to be a peace dividend, a democracy dividend there, but they need energy. So we're, our goal in the Great Lakes region is to say go forward with the peace agreement. That's really important. Do everything we can to address the serious social issues. But in the meantime, just burrow forward on the kinds of projects that could truly have a transformative impact. We're going forward believing that one of the ways of preventing conflict is to have development, to have job creation especially for women, especially for young people. That's the goal, we'll see how it works. We're not going to sit back for five years and see how it works. We're actually going forward. We've made a commitment. So we hope that sometime in the fall we'll be able to travel to the Sahel together as well.

**MR. ADLER:** I'm going to ask you one more question before we open it to the floor. We have a lot of financial professionals in the room. People have been asking questions about where to invest, how to invest. And you were in India too recently and you talked about how big the infrastructure needs were and there was no way anybody was going to get that kind of money unless you had private equity and sovereign wealth funds and other private investors. Yet when you talk to investors, they're very concerned in India and many places in emerging markets about corruption, about regulatory requirements that it's just so onerous about unpredictability in terms of rule of law. I mean what do you say to those financial professionals both in terms of going into India and other places in the emerging markets in terms of just how risky are those investments?

**DR. KIM:** The most important thing I would say is please don't paint with too broad a brush. Look specifically at specific industries. And I'll be very blunt about it, we have something called the Asset Management Corporation at our private sector agency, the International Finance Corporation. And at the Asset Management Corporation, we are now working with sovereign wealth funds, we're working with pension funds. And they're putting money into the Asset Management Corporation mostly because over the past 15 years, our internal rate of return has been 20%. Not only have we made money, but we've done it really focusing on development impact. The reason we're able to do so well is, first of all, our borrowing costs are very low, I mean we have a very strong AAA rating, but also because

we're able to hedge our risk over the entire world. We invest in a lot of things over the world and we're even investing in the so-called fragile and conflict-affected states. But the most important thing is that most private equity firms don't have the people to be able to go into a place like the Great Lakes region and realistically look at risk and reward. We've been doing it since 1955, looking at the private sector and saying, in the poorest countries what are the opportunities for investment? What are the investments that we feel secure about? Also, we have another agency called the Multilateral Investment Guarantee Agency that provides political risk insurance. In other words, if your company is nationalized, we'll make good on your investment in that company and we've not had to pay very often because we make it clear to the countries that it's not a good idea to do things like that. I mean, you know, if you can do that, you can do that if you want. But then what happens is that the market will react to you and your borrowing cost will skyrocket and you'll have trouble. We try to help countries think about their path toward development in the modern market economy in a way that makes sense for them and makes sense really for their people as well.

**MR. ADLER:** Great. Thank you very much. Let me turn it over to the audience. I'd like to first call on Nina Chestney from the world's largest independent news organization, Reuters, whom may very well have a question. Take the microphone.

**QUESTION:** Hi, I wanted to ask about the UN climate process. You talked about China and the way they're moving forward the momentum on that, but isn't it time that the status as a developing country in these talks was perhaps notched up one because they are still a developing country in the eyes of the UN climate deal process. Isn't it time they became a developed country to move things forward even further given their economic growth and their CO2 emissions output. And also on the UN process, the deal may be signed by 2015 but it won't come into force until 2020. Many scientists think that is too late to stop the rise of global temperature. Is the UN process kind of redundant given its slow process progress and isn't it better to look at national efforts and try to make progress that way? Thank you.

**DR. KIM:** Thank you. So, in terms of whether China is a developed or a developing country. You know, there have been a variety of arguments made over the years, but I think what China is saying now which really is different is whatever you want to call us, we feel an enormous sense of urgency to tackle this problem. I mean, the goals that they've set for reducing their carbon footprint, for reducing short-lived climate pollutants are really, really aggressive. I'm sure you know that when the Chinese government decides to do something they move more quickly and more efficiently than just about any government I've ever seen.

And so I don't know their designation is so important. I mean, I think that was part of an argument for a while, we're a developing country, we should be allowed to pollute. I don't think that's what they're saying now. I think they're saying something really quite different and in working with them I know that they are really serious. I mean, we actually provide some assistance through the program for market readiness on helping them develop their carbon market. So they are serious as any country that I know in terms of reducing their carbon output. Having said that, it's still an issue. They're still building coal plants. It's not going to be simple but in terms of setting aggressive targets, there's really, they've really surprised many of us. As far as the UN process, again, I talked to the Secretary General a lot about this because this is the top of his list of concerns. I think we have to think of it this way: I think that there's no question that we still have to support the negotiation process. We've got to have a global agreement. We've got to do it. and for me, the fact that it doesn't come into effect until 2020 is really quite separate from what we have to do right now. And that's why we keep talking about, look, don't sit back and say we can't do anything because there's no global agreement. That's just a lame excuse in the face of what we're about to hand to our children in terms of the nature of the world that they'll live in. And so, there are things we can do right now. When I went to China last fall to visit the soon-to-be Premier Li Keqiang, I didn't sit in the chair for five minutes before he asked me. I want you to do a major report on urbanization. And we know that China is, they are just hundreds of millions of people going to move into the cities over the next decades. And so, he said we know we can build cleaner cities and we want you to write a report telling us everything that people have done all over the world. In fact, even telling us things we've been doing in China that we don't even know about so that we can scale it up, right? So the notion that we would be able to deliver this report about building clean cities and China would sit and say, okay, everyone do this, and to see it unfold in front of us is really quite exciting. So what they're saying and what everyone needs to say is please don't use the lack of a global agreement as an excuse not to take the very clear actions we can take right now to build a cleaner planet.

**MR. ADLER:** Thank you. Other questions? Up front here.

**QUESTION:** I'm Monique Villa from the Thomson Reuters Foundation. And I have a question because it's very good to see your interest to invest in Africa, in many countries, in India etc., which is really good. And the World Bank in 10 years has made a lot of efforts in investigating corruption regarding the loans that you make and investment you make. Are you satisfied with the results or do you think you should reinforce that?

**DR. KIM:** So it was one of my predecessors, my good friend Jim Wolfensohn, who first uttered the “c” word as he says. And he gave a famous speech in 1996 called “The Cancer of Corruption”. And ever since that time, and especially under Bob Zoellick, my immediate predecessor, the World Bank has made fighting corruption a top, top issue. So last July 2, my first day on the job, I walked in the door, they took me upstairs and I said, okay, you have to make a decision, are you going to cancel the Padma Bridge Project in Bangladesh or not? So I sat down and I looked at the evidence and there was clearly evidence that there was corruption going on, so we cancelled it, my first day on the job. And we continue to do that, but the other thing is that we continue to work in places where we know there’s corruption, Afghanistan for instance, we put billions of Dollars into Afghanistan and we will continue to work in Afghanistan even though that all around us we know that there’s corruption going on. How do we fight corruption? Well, we own something like 20 armored vehicles and I rode in one of them when I visited and they’re level 4 which means that they can withstand an IED, but they can’t withstand missiles, so more details than I needed to know at that time, but I was very proud of our team because they get in those vehicles and they ride out into the country side and they check whether the money is going to where it’s supposed to be going. And we’ve even set up a system in Afghanistan where citizens can go and look at the projects and take pictures to make sure that things are actually happening and they transmit the pictures back to the World Bank office to know that the money’s actually going where it’s supposed to be going. And the really cool thing is that we’ve given them a feature because there are checkpoints, informal checkpoints that are set up so that if they take their phone and push one button, it erases all the pictures, because we know that there will be people trying to stop them from doing this kind of work. We’re very comfortable that we’re tackling corruption effectively. And every time we see, we call it, and we’ll do things like cancelling important projects. But has that stopped corruption everywhere? No, of course not, and it has not. But what we’re hoping is that by us being more and more rigorous, we are setting a standard, all the other multilateral development banks have same standard and we hope that that will spread to the government, but just take the example of Afghanistan. What are we going to say? In 2000, there were 250,000 kids in school, zero girls in school, now there are 10 million kids in school, 40% are girls. And we are at risk of going right back to the 2000 scenario unless we’re there especially providing health education and social protection. They need jobs. The combatants need jobs and so we’re working right now to try to develop the private sector in Afghanistan, so you can’t sit back and say, well, we’re not going to work in any country where there’s a trace of corruption because there are still poor people there, right?

And so, we'll continue to work. We'll continue to follow the money. We'll still continue to buy the armored cars, but it's just a reality of the world that we live in and we hope that by us continuing to be tough on it, that we can help countries move in a better direction.

**MR. ADLER:** Let's take some more questions on the aisle in the middle here.

**QUESTION:** Hi, I'm Laurie Goering, also at the Thomson Reuters Foundation. We're very interested in this. I'm curious about China. You say is that right of course, that China is really serious about this in doing a lot and aiming to do more, but at the same time, what you see is that it's the rate in growth in emissions that's falling, not the rate of the emissions. How does this all begin to add up to something that actually works? What is it going to take for the emissions to fall, not just to slow the rate at which we're getting to 4 degrees or higher?

**DR. KIM:** Yeah. It's a great question and it's the question that we're all asking. But the rate of growth of the country as a whole is just so fast that they're trying to keep up, right? And I truly do think that we've not yet made the most of all the technologies that are possible, meaning have they done as much they can in terms of really truly building clean cities, because that's where the vast majority of people are going to live, if they can really make an impact on building clean cities, probably natural gas will be transitional fuel that they'll have to use, but they have, they're investing more in solar, in wind, in other forms of energy really than almost any other country. So I think what you're going to see is over time a gradual shift to renewables, a way of building cities that are clean, more efficient buildings. All those things together we think will add up to an eventual drop. I know that the Chinese government is committed to this, I mean, compared to the other large emitters, their announcements recently had been the most aggressive, had been the most aspirational, so my role right now is to run like crazy to try to continue to help them think about specifically and in terms of the implementation, how they're going to do it. So right now, that's why we're working so much on cities. It's such a big issue for them, they're putting into place their carbon output structure for the next generations in the way they build their cities. So we're desperately trying to catch up, the Chinese are really interested in climate smart agriculture, they're already doing some of it. We think that they can make a lot of progress, and of course in the area of renewables, this is really important. The fact that China is being so aggressive about their own carbon market is a really, really encouraging

sign for the possibility of a global agreement. Look, if we can get Europe, the United States and China to agree on a price of carbon, it's so much better for us because at that point, investments will turn to low carbon investments and we'll finally, we'll have market mechanisms working to help us battle climate change. And that's going to be the ultimate answer is that when market mechanisms are clear, and most companies have already built the price of carbon into their future projections. They're expecting it, so we just need to get about coming up with the political solution as quickly as we possibly can. I hope that the practical solution to the carbon market will happen long before 2020. That's what we're going to keep pushing and we're going to try to make it clear that this is both possible and the right thing to do. Let me just say one other thing. I think part of it too is that we've not as a community not been bold enough. I think what happens with extreme weather events is something crazy happens and then the public turns to climate scientists and say, uh-oh, now what? And we've always been providing small bore answers, well, things like put a solar panel on your roof, and shower less, and I think what people think is that they think, oh, I see, so you're really not serious about this yet. What we have to do is put together a plan that is equal to the challenge of climate change and we haven't done that yet. We're working on doing it, but once the public, because as these extreme weather events continue to happen, I think public opinion is going to change, just like it has in China. I think it's going to change throughout the world. And then at that point, the challenge will be on us to have a real plan that's equivalent to the challenge.

**MR. ADLER:** So to make sure our guests get a chance, could I just see non-Thomson Reuters hands for a minute? Okay, up here, second row.

**QUESTION:** Still a journalist, I'm afraid. Geoffrey Lean of the Daily Telegraph. Thanks very much. That's been very refreshing and particularly refreshing to hear your emphasis on short-lived policies which don't often get the attention they deserve. But coming into that and coming into China, there's recent agreement between Obama and CE about reducing, well, phasing out the HFC's. It seems to me perhaps the biggest step for we've yet taken including here too, is the future - and given the difficulty, given you say about 2020, given the difficulty of getting everything to the US Congress, even if an agreement is made - is the future more in these kind of bilateral agreements? At least initially. I don't feel that - to anyone the importance of global agreements, having suffered through 23 years of negotiations of them. I don't have great hopes that it will happen very soon.

**DR. KIM:** Well, I think we have to encourage any kind of agreement that anyone will come to and I think that's my point today. Let me say again, the work that the Secretary-General is doing on reaching a global agreement is just critical. We cannot- I mean, people were traumatized by Copenhagen, we know that. That was a really difficult meeting but still, a global agreement is critical. But in the meantime, whatever we can do should be welcomed and I think that I was very encouraged by the agreement as well. But the thing that is most encouraging to me is that I know from talking with President Obama's people working on this issue and from talking with Secretary John Kerry, that the level of seriousness in the United States at the top in tackling this issue just couldn't be higher. And I really think, as the extreme weather events occur in the Midwest of the United States and as these Hurricane Sandy's, we begin to understand the implications that the other legislators will come around. And I don't know how long it will take but I hope it's not too long. And in China, again, the discourse, the public discourse has fundamentally shifted in China. So, these first steps are really important. Every time we see them, they should be encouraged. Whatever agreement we can come to should be encouraged but in the meantime, I don't think we should give up on the global agreements. We have to keep pushing in trying to reach some kind of agreement.

**MR. ADLER:** Mark Jones is channeling questions from our Thomson Reuters Global Markets Forum and I think, probably some of our guests have questions on there.

**MR. JONES:** Yes, a couple of questions. Picking up on some themes from quite a large number of questions on Twitter with the #askWorldBank. So I'll give you both of them. First one is about getting youth involved. So, Codrin Paveliuc from Belgium says there's quite a lot of discussion about getting youth involved but when will we actually see some of this happening and the World Bank's role in that? And second one is from Wanda, who echoes another theme running through the questions, which is, "How do you answer critics of energy efficiency goals who claim it will hurt the economy to implement higher standards?" And she has in mind in particular, the United States.

**DR. KIM:** So on the first one, I would just encourage all young people to look at our Connect4Climate work where we're specifically trying to engage young people and being creative about it. But I have to say, this effort to combat climate change doesn't yet look like a movement. And I have been extremely fortunate to participate in some movements. The battle against HIV was a movement. And so one of the things I keep asking my friends in the environmental world is, where is the plan and where is the movement? And they say,

"What do you mean?" I say, "Well look at HIV." We discovered the patients, not even the virus in 1981. By 1996, we had treatment that really gave people, turn it into a chronic disease. And that was not easy. There was a one group of activists, the people from ACT UP, who went into the National Institutes of Health in the United States, threw blood on people until they put billions of Dollars into HIV research. There are another group that changed the rules of the Food and Drug Administration to get drugs to a fast track. They did everything you needed to do in the value chain, if you let me borrow a business term, to get to where they wanted to go. And I keep asking, where is the plan for that? And we don't have it yet. There's not enough research, there's not enough technology being passed on to the private sector. We don't have the pieces in place. And so it doesn't feel like a movement. Young people got involved in the HIV movement because it felt like a movement and they wanted to be part of something that powerful and exciting. We need that. And we probably need the young people to lead on it. We need the young people to say, "Come on, old folks, you know, you may be gone by the time this hits, but our world is going to be awful and we're going to prevent that." But it hasn't happened yet. And in terms of the second question, look, a lot of people say it's not possible to have green growth; that you either have green or you have growth. Look, we have no choice. And I just, we're saying it now but 2030 is not that far away. In 2030, my youngest son will be graduating from college, right. And if there's a two degree Celsius world when he's graduating from college, I just- it scares me and so what it tells me is, we have just got to find the way to have growth that's green. And I'm convinced, looking at all the data on the potential of new technology, looking at the potential of things like hydroelectric power, of geothermal power, of micro-grids using solar and wind energy, I think that there is no question that it's possible and if we devote our energy and our ingenuity to making it possible in all over the world, I think that in a great sense will help us determine who the winners and losers are going to be. I think the winners are going to be those who are able to grow their economies while also reducing their carbon footprints. I mean, Germany's done that and it's very impressive the way Germany has uncoupled growth from their carbon footprint. Germany's done it, they've made a big commitment and that's where I'm going later this evening, partly to celebrate their commitment to doing that. Every country in the world has to move in that direction.

**MR. ADLER:** I think we have time for one quick question and one quick answer. All the way in the back there.

**QUESTION:** David Harris from FTSE, the index company. I mean, leading on from what you were just saying, you've spelt out a very kind of passionate image of the transition to a

low carbon economy, the growth of kind of new emerging cleaner industries of the future. For that transition to take place, will obviously require a redeployment of capital from institutional investors. And what do you see as the barriers for institutional investors making that kind of switch and how do you see us trying to overcome those barriers?

**DR. KIM:** I think the fundamental issue is that institutional investors are- it's hard for them to get their head around the fact that there are people who understand the nature of risk and reward in countries like Rwanda, that we just mentioned, as well as they understand the nature of risk and reward around investing in information technology, for example. They just can't imagine that we at the World Bank or the IFC especially, and at MIGA- can you imagine, we provide- just to give you an example of how much we understand it, there's a phenomenon in Rwanda where there are lakes and under, in the bottom of the lakes there's methane; and that methane sometimes explodes. So it's a huge hazard. But at the same time, you can actually get that methane out of the ground and use it for energy, right, so that you're killing two birds with one stone. We guarantee a project like that. And that means we understand a lot about the nature of risk and reward around projects that are as seemingly arcane and exotic as that one. I think that's the biggest issue and we have to do a better job and letting institutional investors know that we have looked at risk and reward since 1955 in these countries. And that it's not just that you're going to make a good return, you're going to make a good return and you're going to help countries move on the path towards development. That double bottom line, the notion that Michael Porter talked about is shared value. We have to be better at communicating that but they're skeptical. And they're understandably skeptical and it's only going to really shift as certain investors start making a lot of money and start having really good outcomes in these poor countries. And we're committed to helping investors develop that sense of confidence.

**MR. ADLER:** Dr. Kim, thank you so much for being here.

**DR. KIM:** Thank you, Steve.

**MR. ADLER:** You can come back any time. Thank you.

**DR. KIM:** We really had a lot out of it. Thank you. Thanks very much. We just had a great time.