Transcript of Press Conference with World Bank Group President Jim Yong Kim in New Delhi

July 23, 2014

World Bank Group President Jim Yong Kim and India Country Director Onno Ruhl
Press Conference
New Delhi, India

Transcript

SUDIP MOZUMDER: Thank you friends for waiting so patiently. It's a great honor to welcome President Jim Yong Kim, the President of the World Bank Group, to Delhi. He's spent two - three days in India, in Tamil Nadu and in Delhi, and he's coming right from the meeting with the Prime Minister. So without much ado, let me hand it over to the President and after that we'll have a question and answer session. Over to you, Mr. Kim.

DR. KIM: Thank you. I have a prepared statement and then I will take your questions afterwards. Thank you first for coming to this press conference. This is my second visit to India as World Bank Group President, and my first to meet with the new government following the elections in May. I've had a truly fascinating three days in India. I visited Chennai, where the World Bank Group employs more than 700 staff who work in treasury, budget and computer service areas, among others.

In Chennai, I also met with Chief Minister for Tamil Nadu Jayalalithaa Jayaram. The Bank has had a very strong relationship with the state, spanning more than five decades, and many of Tamil Nadu's success stories in overcoming poverty have been replicated elsewhere in India and around the world. While in Tamil Nadu, I visited one of the Bank's projects that focus on lifting youth, and especially women, out of poverty by providing training and helping them find jobs.
Here in Delhi, I had very productive meetings with Prime Minister Modi and Finance Minister Jaitley. This was a great opportunity to understand their development priorities and find out how the financial and knowledge resources of the World Bank Group can best support them.

I congratulated the Prime Minister for his recent election victory and pledged the World Bank Group’s full support for his ambitious agenda. I also congratulated the Finance Minister on his recent budget that forms a very solid base from which to bring positive change to the Indian economy.

We have a very strong partnership with India spanning more than sixty years. It was reaffirmed last year with our Country Partnership Strategy and is well aligned with the reform plans of the new government.

The new government would like India to return to growth rates of nine percent a year. The World Bank fully supports this goal. It’s vital that India achieve these levels of growth to reduce poverty more quickly and to boost shared prosperity among its people.

The world is closely watching India’s new government. The world needs India to succeed. If India reaches its economic goals and creates jobs at a more robust pace, several hundred million people will be lifted out of poverty in a generation’s time. This represents an historic opportunity that is not only critical for India but also for the world if we are to end extreme poverty by 2030. In my meetings with the Prime Minister and Finance Minister, we discussed how to unlock India’s growth potential and take advantage of its immense demographic dividend. An average of eight million people enters the labor force annually. It will be critical for the country to build more quality infrastructure, expand financial access, improve the investment climate, invest in its people and ensure economic sustainability in the long term. Implementing this vision will be a great challenge, but I’m confident that India will seize the opportunity.

And I am so much more confident today after having met with the Prime Minister. The meeting with the Prime Minister is one of the most inspiring I’ve had in my two years in this job. The Prime Minister reiterated to me his three most important goals: skills, scale and speed. He gave us very specific assignments that we are going to take on with great energy, and the assignments are specifically related to priorities that he has already set: jobs was very important on the agenda; the building of clean, more livable cities; the Ganga; educational programs. We talked through many of his most important priorities and we
pledged to come back not with a plan – he has a plan – we promised to come back with data and insights from all over the world. In other words, India is trying to do some really aspirational things and it’s trying to do it at a huge scale very quickly. Our job is to look all around the world to see if there are other countries, companies, states who’ve done bits and parts of this in a way that might be helpful here in India. I walked away absolutely inspired by his extremely ambitious vision for India, and we hope that we can play some role in helping him achieve that vision. Thank you very much and now I will take your questions.

SUDIP MOZUMDER: Thank you. We’ll take one question at a time to start with. Let me also introduce the rest of the panel who will help with the answers. On the extreme left, Serge Devieux, Regional Director, South Asia IFC and on my left, you all know, Onno Ruhl, Country Director for the World Bank in India. Please raise your hand and introduce yourself. We’ll start with Siddharth, Times of India.

SIDHARTH: Hi, I’m Sidharth from the Times of India. Just wanted to understand was there some discussion around funding of the Ganga cleanup plan and also about the bonds…some sort of bond issue where the World Bank could come in.

DR. KIM: No, we did not discuss specific funding issues. But over the next three years, we feel that on the public sector side of the operation we can provide India with between 15 to 18 billion dollars over the next three years. And then in the private sector side with IFC, a minimum of three and a half billion. But what we hope is that as the business environment improves we can invest much more than the three and a half billion. So we are talking about a very significant envelop of funding. Prime Minister Modi, though, was very clear in the sense that the money is important but what he really stressed was that he wanted the kinds of insights, the kind of data, the kind of analysis that could help him achieve his extremely high aspirations for the people of India, and so the knowledge and the interaction around knowledge and data was going to be just as important as the money.

RUCHI: I’m Ruchi from ET Now. I have two questions. How does World Bank see the formation of BRICS bank? And secondly, we are given to understand by Finance Ministry sources that the Finance Minister has asked that the World Bank to look at ways to reduce the cost of borrowing. Is there any road map plan for that?

DR. KIM: Thanks. You know, the BRICS bank, or what they are now calling the new Development Bank, is something that we welcome. If you look at the need for infrastructure
investment in developing countries, it's enormous. Even the modest estimates are around a trillion dollars extra a year that we need. Last year the World Bank did a very significant amount of business in infrastructure -- 23 billion -- but all the money that we have and all the private sector money that's going in will not meet the need for infrastructure investment. So for us, we feel that the only competition that we have is with poverty and with a lack of shared prosperity. So any bank or any group of institutions that are trying to tackle the problem of infrastructure investment to fight poverty, we welcome them and we made it very clear to the Indian Government and all of our partners from the BRICS countries that we welcome the initiative, and that we would be very happy to provide technical assistance, our own knowledge services for any of their efforts. And we said the same thing to the Chinese government around the Asian Infrastructure Investment Bank that they are launching. In terms of the cost, the fact of the matter is that the cost of borrowing from the World Bank Group right now for IBRD is very low. For IDA, the Indian government is still going to receive 3.4 billion dollars of IDA, the interest rate is zero, so you actually can't reduce the cost much from there, from zero percent interest. And for IBRD it's also very low, it's less than one percent. So the cost continues to be quite low -- excuse me, let me give you this, John – the cost is low, and we think that because every single one of our loans comes with literary free knowledge and access to solutions and insights from all over the world, we think that all of the World Bank loans are a very good deal.

SUDIP MOZUMDER: May be I'll come to you next. This one person really there. Yeah, go ahead.

SHISHIR: My name is Shishir from Hindu Business Line. My question is that India ranks very poorly in doing business. With the change in government, do you think that this rank will improve?

Dr. KIM: Well, we've actually looked at this, and if the ranking of India in the Doing Business Report was based just on Gujarat, they would improve fifty places in the Doing Business ranking. So our hope is that what Prime Minister Modi did in Gujarat to improve the business environment can be scaled up now to all of India. And if that does happens then I think India will rise very quickly in the rankings of Doing Business report.

SUDIP MOZUMDER: Amy.
AMY KAZMIN: Mr. Kim, I'm Amy Kazmin from the Financial Times. As you may be aware, many countries are at the moment in a tizzy about the prospect that India will refuse to exceed to the WTO trade facilitation agreement, which is supposed to be the biggest achievement of the WTO in the last twenty years. I'm wondering whether this is something that you spoke to in your meetings with Mr. Jaitley or Mr. Modi? And if you did, what you conveyed to them and what is your feeling about the importance of this TFA versus India's concerns.

DR. KIM: We did not talk about it. We did not talk about it, I think, for pretty good reasons because negotiations are still going on, so it would be inappropriate for me to talk about the specific negotiations. But what we've said and what we've said over and over is that if you look at the countries that have grown rapidly, they've done it through freer and freer trade agreements. So we are big fans of trade. And we also think that there’s a huge amount of upside to greater regional integration, especially in this area. And we’re beginning to see, from Prime Minister Modi especially, a real desire to reach out to his neighbors – he did it in his inauguration – and begin to really think about the implications of much greater trade and much greater integration in the region. So we encourage that and we encourage people to embrace free trade, but this is a very specific political discussion that's going on and we didn’t talk about it.

AMY KAZMIN: Do you think it would be a big setback for global trade if this TFA doesn’t come into force?

DR. KIM: We think that the achievement of Bali and the WTO, of getting people to the table and getting close to this agreement, was a great achievement. And again, I'll just repeat, we think that for developing countries freer trade and more trade, especially in regions like South Asia, is going to be extremely important for economic growth and ending poverty and boosting shared prosperity.

TARUN: I’m Tarun from Zee Business. Just wanted to know, you had a meeting with the Power Minister Piyush Goyal, was there any talk of funding of power projects, transmission, improving distribution, any talk along those lines?

DR. KIM: Yes, we have been in discussions with the government for a very long time. We talked about it briefly over dinner, and there’s one of the things that Prime Minister Modi asked us to do is to think about the problem. The task of providing energy quickly to all
Indians. As some of you may know, this is how he thinks. We look forward to working very closely with the Power Minister to think about ways of quickly accelerating access to energy for all Indians.

**MR. SINGH**: I'm Mahim Pratap Singh from The Hindu. This is another question related to the ease of Doing Business report. India had recently taken up this issue regarding the methodology of this report that it only takes into account SMEs and it doesn’t really present the overall business picture, so was it discussed and what are your views on it?

**DR. KIM**: It was discussed and there are a lot of very legitimate critiques of the Doing Business report and that’s why over the last ten years the Doing Business report has continuously evolved. We started off looking at a much smaller number of factors, and every year we have improved the Doing Business report based on critiques that have come from member countries. So for example instead of doing one city in India, we will be doing two, and if we had the resources we would be doing even more. But as it is it is an extremely labor intensive activity and so we believe that the Doing Business report remains a very important tool. It is imperfect, it is not complete, it does not cover everything. It is simply focused on the ease of opening a business for small and medium enterprises. That is the way it started, that’s what it still is. I think the reason that it has become so important is because it is one of the few rankings that exist in the world today that actually goes on the ground and looks at the specifics of how easy it is to get electricity, the tax systems. We actually ask specific questions, so we still feel that while it may be imperfect, it is trying to do a limited set of things and we are committed to continuing to improve it over time. And so while it’s not perfect, we are committed to it because it does give important information and it really has played a role in helping countries all over the world improve their business environment, so we will keep doing it. We take very seriously the critiques coming from our partners in the Indian Government, but I would just like to point out again that if it was just Gujarat that we were measuring, India would go up 50 points.

**ARUP**: My name is Arup and I’m with the Financial Express. I have a couple of questions. You mentioned that IFC will invest $3.5 billion into the country. How much of that will be raised through issuing rupee denominated offshore bonds? And secondly, does the formation of the new development Bank mean that the World Bank needs to take another look at the voting rights of its members, especially given that some of the smaller European countries have better voting rights, have larger voting rights as compared to some of the developing giants.
DR. KIM: I’m going to let Serge talk a little bit about the IFC portfolio, but let me take the second part of the question. So, the IMF is going through some difficulty right now because they have not approved the first voice reform that they started some time ago. We actually did complete the first voice reform. In 2010, the voice was adjusted and there was significantly more voice for developing countries. So, we’re at about 47.5% of the voices coming from developing countries. Now, I don’t think anyone can doubt the importance of middle income countries, especially the BRICS countries, and if you look over the past five or six years during the financial crisis, the developing countries made up more than 50% of global growth. So there’s just no question that every year middle-income countries like India especially, and the BRICS countries as a group, are growing in prominence. Now in 2015 we will re-open the voice debate and we’ll have that discussion again. This is not something, and let me repeat, this is not something that the management or I dictate. We are a cooperative - 188 member countries. And those member governments will have an intense discussion about voice reform starting in 2015. I look forward to listening carefully to that debate. I think that, again, the importance of the BRICS countries is undeniable, and so we’ll see where it goes. But that’s how multilateral organisations work. They have a set of rules, we were founded literally 70 years ago yesterday. The first papers were drawn up for the World Bank and the IMF and over the years the Articles of Agreement have evolved to a certain extent. But the order that comes from having a 70 year old history is important to maintain, but at the same time the organisation has to reflect the new reality. So we look forward to the discussion, we look forward to whatever changes the Governors decide and we will continue to make very very strong commitments to all the BRICS countries……Serge

SERGE – Director at IFC : Thank you Jim. So the thing that is important here to consider is that..first on the use of the funding of IFC, the 3.4 billion is related to the investments that we are make here in the form of debt or in the form of equity. This is funded out of the global pool of funding that IFC has. So regardless of issuing the Rupee bonds or not, whether onshore or offshore, we are ready to deploy that amount of financing..this is the average that we’ve been doing over the past two years and in fact we will be doing probably much more as Jim was indicating. Now we have done 2 things .. one is to issue offshore bonds at the time when the capital markets were suffering. The Rupee was devaluing and it was important to give a signal of confidence of investors which we have done. We were able to generate one billion dollars of offshore bonds from foreign investors at a very difficult time not only for India but also globally. And more importantly we were
also able to extend the maturity of those bonds. We started at 3 years and the last tranche was issued at 7 years. So the next step is to continue issuing bonds, onshore and offshore, extend the maturity and now start applying the proceed of the those bonds… you know the Rupees that we will be generating with the issuances to the projects that we are financing. Infrastructure as you know is a big priority for us and obviously for the country and demands very long maturity. So as we are able to extend those maturities, we can use those rupees to finance for example infrastructure projects.

**DR KIM:** And you know we heard from the government that both we and the government are very encouraged by the amount of interest that we saw in rupee denominated bonds. And so I think it is almost certain that we will continue. In exactly what form that will take, we are not quite sure.

**Dipankar, PTI:** This is Dipankar from PTI. The new government has put a lot of stress on Ganga rejuvenation. Any commitment..fresh commitment with regard to Ganga cleaning from the World Bank side

**ONNO RUHL, India Country Director:** Thanks for that question. We already have one billion dollars committed to the Ganga and what we discussed both with the Minister for Water Resources and with the Prime Minister this afternoon, is to use that money to demonstrate very quickly that the Ganga can actually be cleaned by focusing on key cities – Rishikesh, Kanpur, Allahabad, Varanasi, Kolkata and Patna, and show that there we can actually achieve results that are visible and give people the confidence that this can be done. That will require then scale-up. But we first have to spend the billion dollars that we have on the books. We’re making good progress with that, but for now that’s enough money. Clearly the priority is such, that if it progresses, we would be willing to look at subsequent monies. But that’s not on the table today.

**DHIRAJ:** Hi, this is Dhiraj Tiwari from the Economic Times. In 2009, the World Bank had supported Indian public sector banks by giving 2 billion dollar credit line for bank capitalization. Will that sort of a credit line can again be given to Indian banks given that the huge requirement is there? Any discussion on the same?

**ONNO RUHL, India Country Director:** There has not been such a request and we do not anticipate it.
Penelope McRae AFP: I just wondered, it's your second visit to India in your official capacity, how do you see the atmosphere as being different or the same, or you are more optimistic? What’s your feeling at the end of this visit after meeting everybody, all the leaders?

DR. KIM: Thanks for the question. Just a couple of quick things - So in Chennai, you know, one of the things I discovered is that the quality of the work being done in areas like IT, Accounting, Budget Management, it is not just that its lower cost, what I learnt is that among the highest quality most innovative work on these kinds of, if you are back off these issues, is actually being done in Chennai. Procter & Gamble has 25,000 employees in Chennai, Ford Motor Co. has 5000 employees there and I found that there is a community of practice in that group of people that really is sharing the most innovative approaches. So India is becoming a center of not just information technology work but knowledge work at a scale that I just didn’t appreciate. So I think there is no question that, that part of the Indian economy would grow. And I have spoken with many people in the private equity world, people in hedge funds, people in running their large sovereign wealth funds and across the board. There is an enormous amount of optimism based on not only what Mr. Modi has been saying but what he did in Gujarat. And I have to say, I emerged from the meeting today even more optimistic than I was flying into the country. I was extremely impressed with his sense of urgency. I was extremely impressed with his detailed understanding of what it takes to execute and deliver at the end of the day and not just have policy and pronouncements but actually deliver and his understanding of how you lead under times of stress. So I am even more optimistic. I think that he gave us some tasks that we gonna have to step up and we gonna have to run as fast as we have ever run frankly to keep up with him. So leadership in these times is difficult everywhere and you never know what kind of unexpected things might happen. But I leave here even more optimistic then, when I came in and I didn’t think that would not be possible.

AMY KAZMIN: Can you let us know exactly what the tasks were that he gave you?

Dr. KIM: Well, I mean it was about things like the Ganga. How can we move much more quickly and how can we demonstrate that this can be cleaned up. Another one, for example, was Energy. How can we scale up energy quickly? And the bigger one was jobs and he said, “So, how can I be sure that we have job creators and that we nurture the job creators here and how about global markets for jobs in the future. What’s it gonna look like?” The questions were absolutely, we felt, were incredibly insightful and it gave us the
task that we’re gonna have to think about and then bring all our best people in the world together to try to answer these questions. They were exactly the right questions and we felt that we were very much in the same wave length. His intention is to grow this economy quickly. His intention is to grow the number of jobs quickly and demonstrate to the Indian people that in this country you can do things at scale with great speed and in the process demonstrate a level of capability that may be many people just don’t think exists. His focus on skills also I think was just absolutely critical. It wasn’t just focused on primary or secondary education. We talked about everything from primary education to skills training to higher education and so it’s a comprehensive and an extremely ambitious vision for this country.

**SUDIP:** Thank you Dr. Kim. I am afraid we have to bring this to a close. Thank you for your questions and thank you Sir for the answers for that.

Last Updated: Jul 23, 2014