Transcript: World Bank Group President Jim Yong Kim Media Roundtable

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World Bank Group President Jim Yong Kim
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Transcript

DR. KIM: Well, thanks, everyone, for coming by. I just finished a trip to the Sahel with the Secretary-General, which was our second trip. And I'll talk about that in a bit. Also, just back from meeting with the Pope, which we can also talk about if you'd like. And my first visit to Turkey.

But I want to start off by just, first of all, expressing our deepest condolences to the people of the Philippines. We've been, of course, watching this very carefully. We've got many projects going with them. We're not part of the group of first responders. And so, we're not on the ground now, doing immediate humanitarian relief. That's not what we do. But we've made it clear to the authorities in the Philippines that we'd be prepared to be involved in any way that they find appropriate. We already have, for example, conditional cash transfer programs, where we're providing direct resources to poor people. And we could increase the speed and the volume, remove the conditions; there's all kinds of things we can do. And we're in the middle of a discussion with them right now.

You know, we've had a tremendous amount of experience responding to disasters. For example, we were responsible for a good deal of the removal of the debris in Haiti. And so, it's one possibility in the future, if that's what they need.

So, while not being first responders, we're very involved. But I think it's important for the world to reflect on what we're seeing. Now, the critical issue is that you cannot connect any single event to climate change. That's not the point. But if you look across the world, the
Philippines, quite literally, lives in the eye of the storm. So many storms are passing through the Philippines. The directions of the storms coming at the Philippines are changing now. And so, you can't think about building resilience on just one part of a particular island. So, they're in a particularly difficult situation.

I was in a meeting with President Aquino, and we were talking about climate change. And he stood up, and he said, "Look, if anyone doubts the reality of climate change, please just come to the Philippines." If you think of the number of storms that have hit over the past year, the severity of those storms, and then if you look back, and you think about--so, we had Sandy last year, then we had Phailin in India, another category 5, that hit landfall, and then, now, Haiyan, or Yolanda as they refer to it in the Philippines, the second major storm in a year. The point is to think back and say, "What are the trends in the world?" So, I just got back from the Sahel. And droughts that used to happen every five to ten years now are happening regularly, reliably, every two to three years. In the Horn of Africa, severe droughts that happened, before, once in every 20 years are now happening every five years.

So, it's not so much that a single event is the issue. The real event is that the frequency of these events are increasing. And that's exactly what the climate change scientists have predicted. Now, can you assign any of the current damage--well, you know, there were 20-foot waves and, you know, 10 to 15-foot rise in water levels. And we know that water levels, from historic records, have gone up about seven and a half inches, so a small portion. But again, that's not the point. The point is it's happening over, and over, and over again.

But an even more important point is that the world agrees a lot on the things that we need to do right now. Everyone agrees that at some point, if we can find a stable price on carbon, that that would be good for everybody. China right now is engaging in a very extensive carbon-trading scheme inside China. The experience of a price on carbon has not been the most positive experience, but still, I think leaders across the world know that moving toward some sort of stable price in carbon would be important. That's the hardest one. That's going to be the hardest one to get to. But there's so many other things we can do right now that will have huge impact that pretty much everybody agrees on.

Now, one that the IMF and Christine Lagarde has really championed is the removal of fossil-fuel subsidies. Critically important, into the trillions of dollars, the amount that governments spend in fossil-fuel subsidies, they don't really help the poor, they pollute the
environment, and the removal of fossil-fuel subsidies could then make available government funds to support many other, much more important priorities. But it's politically difficult. So, again, it's something that people agree on but politically difficult to enact in any country.

*But then you go to the issue of sustainable energy. Everyone agrees that we have to move toward more renewable sources of energy. And nowhere is this more clear, and the possibilities greater in my view, than places like the Sahel, like in Sub-Saharan Africa. So, more investment in renewable energy, cleaner sources of energy, everyone agrees we can do that now.

Cleaner, more livable cities, everyone agrees that the way that cities are being built right now can be improved in terms of reducing the carbon footprint and making the cities livable. We're doing a major project right now with China to really work with them to rethink in a fundamental way how they're building their cities. Now, 60 to 70 percent of all carbon emissions come from cities. So, if we can build cleaner, more livable cities, with greater concentration, with mass transit, with using cleaner sources of energy to provide the base load electricity. There's so much we can do.

And then, the final issue, and again, it's just a no-brainer, is climate-smart agriculture. And climate-smart agriculture, very specifically, means the simplest kinds of interventions that have been shown to have tremendous impact. For example, in Costa Rica, if you look, the whole country is moving toward climate-smart agriculture. So, instead of cutting down trees to make fences, they're actually planting trees, and then stringing barbed wire between living trees to define their property. And what happens is that those trees not only keep their livestock within the bounds, but they actually fix nitrogen and put it back in the soil, increasing the yield. So, there are, right now, things that we can do. We had a huge project in Kenya, a climate-smart agriculture project, that we know we can take to scale all over the world. And it will both take more carbon and put it in the ground, it will preserve the river beds, it will increase the yield and increase profits for farmers.

These are all things that we can do right now. And so, what I hope the tragedy in the Philippines helps us to do is to move away from having, what I think, a silly argument about, not really the science, but about science as a whole. Ninety-five percent of climate scientists agree that anthropogenic climate change is real and that we've got to do something about it, or the impacts are going to be severe. So, basically, if you argue with those findings, you're not really arguing against climate change, because there's just no science to support you. You're arguing against science. And I guess you can do that. And
I guess you can argue that you don't trust science. But I do. And I think it's really important that we should respond to the evidence as we see it. Moreover, I just want to make the point that there's just so many things we can do right now. Let's stop the argument. Let's move forward. Let's get the agreement. Let's make the investments that we need.

In the Sahel, you know, I'm just returning, and I have to say that it was different than what I expected, in the sense that the conditions, the living conditions, were just as difficult as I expected. But the things that had been accomplished there are really quite stunning, given the difficulty of the circumstances. Let me just give you an example. Burkina Faso has grown their economy; their growth rate is going to be over 6 percent this year. They've continued to grow. They've built a lot of infrastructure, especially in Ouagadougou. But they've done it paying 74 cents a kilowatt hour for electricity. So, they import all their electricity from Côte d'Ivoire, and 74 cents a kilowatt hour is about seven times the global average. Here, in DC, we pay probably nine to 10 cents. A very high rate would be 25 to 30 cents a kilowatt hour. Burkina Faso pays 74 cents. So, the fact that they were able to see the growth that they have seen while still paying such high prices for energy is really quite remarkable.

The other thing I saw was that there is tremendous support for French intervention—and Jeremy, especially, I want to make this clear—tremendous support for the French intervention in the Sahel, and for interesting reasons. You know, when I visited with President Compaoré of Burkina Faso, he told me about the history that they have of cavalries, that they were able to build a cavalry before anyone else in the region was able to. And he thinks that that was critical in their ability, over centuries, to repel the intrusion of Islamic extremism. And they see this latest set of events as just part of a centuries-long quest to live in harmony with a diverse group of people, Christians, Muslims, we had Arab populations, Tuareg, I met with them all when I was in Timbuktu. And they quite literally said, "What's happening, this Islamic extremism, is not part of the culture of the Sahel." And so, you know, I think some people in France have been saying, "Is this going to be France's Afghanistan?" And I can tell you that, from what I saw, overwhelmingly the answer is no, because the population as a whole so strongly supports the effort to keep out Islamic extremism from that area.

Now, you know, what they're going to have to do is reduce the trade barriers between the Sahelian countries and really act like an economic bloc. And they're committed to doing that. But, you know, again, in countries like that, all along the borders, they have all kinds of ways of slowing down trade that we're going to try to help them to fix. But I came away
from this visit unexpectedly, extremely optimistic about what could be done. If we can lower the prices of energy, if we can get them to work as an economic zone, with very fluid trade barriers, if we can attract the kind of foreign direct investment that I think right now that they could make very good use of, then the prospects for growth and development in that region, I think, are very high. And I think the intervention of the French, to ensure that Islamic extremism was kept at bay, at least for now, was an important intervention, and it's going to help us make progress.

So, let me just start with those two, right off the top of my head, those two issues, which is Africa and climate change related to what we're seeing in the Philippines, and then just open it up for any questions that you might have.

**REUTERS:** Just as a quick follow-up, what do you make of current climate talks and kind of where we are in the dialogue today?

**DR. KIM:** There's a session happening right now in Warsaw and we're getting, of course, updates on a regular basis and my understanding is that yesterday, at the opening, a lot of the focus was on what was happening in the Philippines and, I'm sure you know, the representative for the climate talks to the Philippines is now on a hunger strike until something happens.

Now, what I hope happens is that rather than just focusing on what is legally binding and what is not, that we make a major commitment to doing the things that we know we can do right now. I mentioned it. Price on carbon, removing fuel subsidies, sustainable energy, cities and climate-smart agriculture, they're five things that we can all move on right now and it doesn't require any kind of major legally-binding agreements.

So, we are certainly injecting that kind of sensibility into the discussions. The Secretary-General has very much embraced those five points in his own approach to climate change. We really hope we can reach legally-binding agreements in 2015 in Paris. This is going to be a very important moment. But we can't be in a situation where everyone is waiting for those agreements to happen and then declare our efforts at fighting climate change a failure if they don't. We've got to move right now to tackle those issues we can take--

In the Philippines a huge part of what they need to do is to build up resilience. And it's so hard to do, because in the U.S., you've got a coastline but islands, the coastline surrounds
them and they've got multiple islands and because the storms are now coming from different directions, how do you build up resilience?

So we've begun to do some studies on just what it's going to cost to build up resilience to storms of this magnitude, and they are very, very significant costs. Now, what we do know, though, is that right now the cost of these major storms on coastlines is about $6 billion a year.

But by 2050, if all the predictions come true about the increasing frequency of these storms and the severity of these storms, then the costs will be around, in inflation-adjusted dollars, about a trillion dollars a year.

**REUTERS:** By 2050?

**DR. KIM:** By 2050. And, of course, they're going to increase every year between now and 2050. But our own estimate is that if we spend about $50 billion a year on building resilience, that we could actually avoid the vast majority of those costs. By building in resilience. And we know how to do it. In New York City they're doing it right now, they're building various levees and barriers in using both the natural systems and built-up systems, you know, artificially built-up systems, to protect the city from another Sandy. It's going to be very expensive, but compared to what it will cost if we don't do it? We think it's a good investment.

**DPA:** But what about the finance, what about the $100 billion target by 2020?

**DR. KIM:** You know, the Green Climate Fund is about to open. I'm going to be in Korea on December 5th. We have our climate investment funds here. And there have been many, many pledges. Donor governments have been extremely generous in terms of their pledges. I think what everyone is waiting for are really clear actionable plans where the money can be invested, there's going to be direct action and we're going to see things happening.

So, let me just give you an example. One of the things that we're focusing on here at the World Bank Group is to develop bankable projects for sustainable energy. And by that we mean, look, in Burkina Faso the opportunity is huge. If we can get a public-private partnership where the government makes certain guarantees that we can also provide things like political risk insurance, we can provide some of our own investment, but then if
we bring the private sector in, the private sector can make money. The returns are going to be sort of steady long-term returns. But we could potentially have the impact of dramatically increasing Burkina Faso’s electrical supply, so increasing access for the people of Burkina Faso, while at the same time making money for the private sector that invests in these projects and at the same time reducing the cost per kilowatt hour.

So, there are projects like this everywhere and we’re focusing—if we all wait for the donations to come through, I think we’ll be wasting time. So, the pledges are important, we want people to commit to the Green Climate Fund, we want them to move quickly on it. In the meantime, we at the World Bank feel that there are ways of bringing private sector money in which can move much more quickly and, in the long term, we think is more sustainable.

So, public-private partnership that reduces the risk of these investments and even places like the Sahel, that will reduce the cost, increase the access and make money for companies, I think the key for us right now is to find as many of those projects as we can and move on pushing those forward.

**AFP:** Actually I have a question that really doesn’t relate to the World Bank activity but it was that we bought things that the Obama administration [unclear] stop eavesdropping on the World Bank and the IMF headquarters? I was just wondering if you have any comment on that?

**MR. DONNELLY:** No, we’re not commenting on that.

**DR. KIM:** No, no comment. No comment on that.

**QUESTION:** Okay. Too bad.

**FINANCIAL TIMES:** I just have a question, back to climate change. Last month the U.S. said that it wouldn’t back new coal projects. Isn’t there a case to—not do coal projects at all by the Bank and how is the Bank shifting its own priorities in response?

**DR. KIM:** Our policy’s very similar on that. That we will not do any coal projects unless there are absolutely no other options in poor countries.
So, we're looking around right now, and let me just give you an example: Liberia. Liberia has a total of about 21-22 megawatts of installed capacity. So, if you think about one kilowatt of installed capacity per person, it has enough energy for about 1 percent of its population. And 20 megawatts of installed capacity will give you as much energy as Texas Stadium, the stadium of the Dallas Cowboys, uses in a single day. So, it's almost nothing. And you're looking around and in Liberia, the question is what's going to be possible in that country? Now we're going to look like crazy to be able to find low-carbon renewable sources of energy supply. But in a place where they really don't have any other options, we would consider coal. But for the most part we're going to avoid coal altogether.

And I have been very surprised by how much the quality has improved, in terms of providing solar energy, and the cost has gone down. So we now have some projects that are able to deliver solar power through solar-based micro-grids, not huge grids but the small grids, for local communities at around 10 cents per kilowatt hour. So, just compare that to what we're doing in Burkina Faso at 75 cents a kilowatt hour. The possibilities of solar and, in some places, wind, geothermal, hydroelectric power, are enormous and we're going to do everything we can to invest in those kinds of resources.

But, for us, it's conceivable that there may be certain places where if there are no other options, we would consider coal.

**REUTERS:** Just as a follow-up, besides Kosovo, is there any other coal plants in the pipeline or...

**DR. KIM:** Not that I know of, not that I know of.

**BLOOMBERG:** A separate question. If you could give us an update on the infrastructure fund. It was sort of announced and now we don't know whether [unclear] people willing to contribute.

And just a quick second question: A few months--weeks ago when--your speech at George Washington, you told us that you'd be ready to abandon small projects to focus on big ones. Have you done any of that? Have you abandoned some projects? Concretely, how does that [unclear]?

**DR. KIM:** Yeah, so--what was the first question?
MR. DONNELLY: Infrastructure.

DR. KIM: Infrastructure, okay.

So, we wanted to do a little bit of a test. We wanted to find out what the interest would be in an infrastructure fund. And essentially, it's a new kind of product. And the idea would be that developing countries--really, any government that would want to could put money into a facility. And then, we would go out and we would bring bankable projects to the table. And we would then invite the private sector to come in and participate in projects like, for example, energy in Burkina Faso, right, energy in Nigeria, energy in any number of places.

And we brought representatives of the private industry, private sector, and also representatives of governments.

The demand among governments is really high. The fundamental insight is that, even at times of very low interest rates when quantitative easing was making access to capital seemingly very easy, there was still a problem getting access to capital for infrastructure in emerging markets in developing countries.

So, the BRICS countries talk about a $4.5 trillion infrastructure deficit over the next five years. And if you look at total ODA, which is about 125 billion, there's no way that ODA can even touch those kinds of needs and India says that they have a trillion over the next five years themselves, and they can only imagine about half of that being covered by public sector and aid. So, and how is that other 50 percent going to be brought on board?

So, what we heard, especially from the private sector, is that there's a lot of capital sitting on the sidelines earning very low interest rates. They would very much like to get involved in these kinds of infrastructure projects, but they need us to help de-risk them. That's not the perfect word but, in other words, they need us to be able to go in and, based on our 60-plus years of experience doing projects in these countries, knowing the governments, and also knowing the private sector, to come in and be able to say, "Here's a project. Here are the risks. Here's how we are going to mitigate those risks. Here's the insurance through MIGA, the Multilateral Investment Guarantee Agency, that we can provide. And here are some examples of projects that we have done where we have done just that." And we've got a bunch of projects we'd be happy to share with you--you know, power projects in Kenya--where IFC made a direct investment, MIGA provided guarantees. The Bank, through IDA...
and IBRD have given guarantees in support of the government, and all the institutions
together have made projects happen that actually make money for people.

So, there's a huge demand for us to do it. Now, as in all sort of global facilities, the
governance is tricky. So, we're trying to figure out right now exactly how it's going to be
governed, but the thing that was most surprising to us was just how eager private sector
investors, sovereign wealth fund managers, pension fund managers were, to make these
kinds of investments. Because they're not really seeing other kinds of investments where
over 10, 15, 20 years, they can make, you know, 5, 6, 7, 8, 10 percent return in a reliable
way.

We think a lot of these energy projects and also, for example, ports and airports and
transportation projects could actually not only be critical for the development of these poor
countries, but could make money for people.

And at the end of the day, if we want to achieve our goals of ending poverty and boosting
shared prosperity, there's just no way we're going to do it based on ODA alone. ODA is
only $125 billion a year. It's a drop in the bucket.

It's really important and, in fact, it becomes even more important because the demands are
so huge now, but using official development assistance to bring in private money, bring in
sovereign wealth fund pension fund money is going to be a key to development in the
future. And so, the global infrastructure, certainly, we think is a critical part of that.

Now, over time, over the next six months to a year, we'll have talked about governance, and
I hope that we'll be ready to go because, boy, all the BRICS countries are very much ready
to go, and to our great--what's the right word?--we were very pleased to hear of just how
much the private sector is ready to go.

And what was the second question, John?

MR. DONNELLY: The abandoning of small projects to focus on big ones.

DR. KIM: Yeah. So, if you look at the Sahel, we came to the table and we put on the table
$1.5 billion extra dollars in regional projects, focused on things like hydroelectric power, on
irrigation, on improving farming for the pastoralists, you know, literally bringing veterinary
science for the first time to some of these pastoral communities.
And so, what we did was we reprioritized. We actually moved money for Africa from smaller projects and— you know, these projects never saw the light of day, so I can't tell you what they were. But we actually moved the money around and instead of doing smaller projects in individual countries, we brought it all together and put on the table an additional $1.5 billion for major regional projects that we think will have an impact on the economy. It's precisely what we meant, and Africa's really leading the way and showing us how we're going to do that.

**WALL STREET JOURNAL:** Just wondering, following up on infrastructure, you know, the needs of the BRIC countries are so large. You mentioned the trillion in India. I used to be based in Moscow, certainly they need a lot of infrastructure. And part of the concern there was always that, among bankers, if you put too much money in any one country, there's the "Russia" risk or the "eighty-year" risk. How does that affect you guys or how does that affect the investors who would— would they be willing to put enough money into one country to make a difference, considering the risks?

**DR. KIM:** This is precisely why the private sector folks came to us. So (inaudible) of BlackRock, you know, the largest institutional investor—they came to us because what they're saying is, "We want you guys to do this precisely because you can hedge risk across—literally, 140 countries."

So, we have something called the Asset Management Corporation where different funds can put money directly into this corporation and then, based on what they want to invest in, or if they just want to invest across multiple projects, we're able to do that because we're actively in so many places at once.

And so, one of the beauties of the global investment facilities is that you can make general investments and, again, hedge across multiple countries and, by doing that, you know, we—

our own record in terms of—through IFC of our equity investments over the last 15 years has been very, very good. We've been at about 20 percent a year across the board, even through the difficult time starting in 2008.

And the reason we think we've been doing well, there's a lot of— one, we have the best AAA rating around. You know, our borrowing costs are something like LIBOR minus 25-30 basis points at any given time. We have a very strong AAA. Every project in the developing countries wants us to be one of the first investors, because if we're on board, then it makes it very easy for them to get other investors on board.
And also, we've done so well because we've been able to hedge our investments across many, many different countries. And the hope is that all of that experience put together and the ability to hedge across different countries will make the private sector more willing to invest along with us or a facility like this where literally bets are hedged, as opposed to going into one country and making a direct investment into a single country.

I think most investors would like to have the World Bank as an intermediary to help them to stave off those risks, and we think we can do it.

WALL STREET JOURNAL: So, you wouldn't charge too much into one country or group of countries, [unclear]—

DR. KIM: Yeah. I mean, the whole point of it would be to work across many, many different countries at the same time so that, you know, a--the default or the problems of a single country wouldn't blow up this whole facility. The whole point of it is just provide stability across the board.

But I think what you'd also get from us is you'll get our own team working very hard to identify exactly what the political risks are, what the health of the banking sector, what the demand is going to look like. We are pretty good at doing that and partly because we've been at it for so long, so much longer than most folks. I mean, we've been in emerging markets from the beginning, as opposed to many who are coming into it relatively knew.

AP: If it's on infrastructure, go ahead.

BLOOMBERG: [Unclear]--just to know who the Bank--be they as an intermediary purely or will you putting your own money—

DR. KIM: Oh, we put our own money, too. That's been one of the ways that we actually have been able to make projects go, is that we've put some of our own money on the line. Go ahead.

AP: You mentioned low inflation and quantitative easing. I wonder if we could go into your view on the state of the world economy. It seems like we're sort of stuck in a rut and nobody seems to be able to get that boost to growth and [unclear] everyone is talking about.
DR. KIM: So, I think the first insight is that if you look back nine months, a year, we now have the U.S., Europe, and Japan, all three are growing. Now, think back to the last time we could actually say that. It's been a very long time since you could say that all three of those have been growing at the same time.

Now, you know, are there concerns? Absolutely. And we were just in France at a meeting, the economically focused international financial institutions met with President Hollande, with myself, Christine Lagarde, Guy Ryder of ILO, Angel Gurría of OECD, and Roberto Azevedo of the World Trade Organization, we just sat and had a discussion on these issues.

So, you know, are there problems in Europe? Yes, there still are. I mean, there's this huge task of the Banking Union that has to be implemented. Some of the countries seem to be bouncing back, the UK seems to be growing, both Greece and Portugal look like they're about to be able to complete their programs and pay back the funds that they received during the worst of the crises. So, there are some positive signs, but there is still a lot of work to be done. Consolidation seems to be slowing down. The hope, of course, is that there will be no other Cyprus-like disasters.

But you know, I think that, from my own personal view, is that in Europe, the combination of the European Central Bank, the European Union, IMF, have done a great job. I mean, they've done a great job and they've been willing to tackle really difficult problems, and everyone wishes that they would have tackled--solved these problems even more quickly than they have, but you know, I came into this job in July of 2012, and people said to me with great confidence that Greece will be out of the euro very soon, that the euro's future is in doubt, that all this is going to blow apart, and here we are, you know, now 18 months, 16 months later in a much better position than anyone had predicted that we'd be in when I started this job. So, there are some positives, but there is a lot of tough work ahead.

Now, you know, we follow the U.S. economy very closely, of course, but mostly because of its impact in developing world economies. Growth is higher than has been expected, 2.8 percent instead of 2.0. Not quite sure where that growth has been coming from, but our sense is that we avoided some really bad things happening. I mean, we got very close to default, but it's very important that we didn't go there.

Now, we're all very hopeful that they can resolve this crisis in--you know, come to some sort of agreement in January and February. We watched carefully, because the last time we
had a near miss in August of 2011, borrowing costs for developing countries went up about 75 basis points, so, you know, three-quarters of a percent, and stock markets were depressed, on average, about 15 percent in developing countries. And those effects lasted for more than six months.

So, any kind of uncertainty here in the United States has this very strong impact in the developing world. And what I was saying through the crisis, and it happened right at our Annual Meetings was that these kinds of impacts in developing countries are not good for the U.S. The U.S. Chamber of Commerce has said that more than 50 percent of all exports go to developing countries. And so, these kinds of impacts in developing countries slowing down their economies has a direct impact on exports in the United States.

So, it's very connected. You know, our own overall projections for growth—you'll hear different ones form different sources, and our own, just to give you a sense of the comparison—so, our own sense is that the U.S. economy will grow about, overall, 2 percent this year, 2.8 percent in 2014, and 3 percent. We're a little higher than the IMF for 2014, a little lower than the IMF for 2015, but the good news is that we think the growth will continue. We had a very good jobs report just this past week. Other—the economy seems to be, here, in good shape.

Now, in terms of developing country economies, there was a lot of concern that there was a slowdown, especially in the first half of the year in China, but those numbers seem to have rebounded and China did better in Q3, and they're just finishing up their Party Congress.

And I—the language coming out of the Party Congress, I think is extremely positive. They're saying that they're going to get much more—rely much more heavily on the private sector and that the distribution of resources is going to be determined much more by market forces. I think what you're seeing in China is that what they're trying to do in Shanghai—the Shanghai Free Trade Zone—is a model for what I think they're going to continue to do. And they stated all along that, even with lower growth rates, they're going to commit to making the transition from being mostly investment and export-oriented to consumption and service-oriented.

And I think, for us, it's very encouraging that, despite lower growth numbers, they're continuing down the path of reforms. Their commitment to reforms of the business environment and the role of the private sector, you know, focusing on consumption more,
that commitment to reform seems very, very solid. And we expect them to perhaps grow at a slower rate, but the quality of growth we think will be better.

The other countries that have been affected by the announcement of the potential tapering of QE, especially countries like Thailand, Malaysia, and Indonesia, what we saw there was perhaps a quicker outflow of capital based on real weaknesses in those economies: Current account deficits, fiscal deficits were relatively higher. And the announcement of the curtailing of the tapering of QE really had an impact on those economies.

We think we've seen about a third of the overall increase in interest rates, responding to that first announcement.

But what that means is when QE tapering actually happens, interest rates will continue to go up, and that could cause problems for the emerging market economies, which is why this Global Infrastructure Facility is so important, because as U.S. interest rates go up, what we're going to see is that it will be even more difficult to get access to the kinds of capital for infrastructure investments that developing economies need.

And so, we think the pressure for us or some other group or some coalition of groups to put some kind of infrastructure facility together will be even higher.

MR. DONNELLY: Just a few more minutes.

REUTERS: As a quick follow-up, you visited Turkey recently, and Turkey--does it, I mean, borrow money from the World Bank, as well, to help support it? If you could give us some more details about that.

DR. KIM: You know, Turkey is our second largest borrower over the years. So, Turkey has done some things just incredibly well.

I mean, their ability to develop infrastructure in Turkey has been really quite stunning. Roads, electricity, they've done incredibly well over the past 11 years.

And some of the data coming out of there were stunning to me. I couldn't even believe it when I first heard it, that not only has their economy grown over the last 11 years since they took over, but you have to remember that when they took over--when that government--
when President [Prime Minister] Erdogan's government took over, their borrowing costs were 66 percent. I mean, they were in huge trouble, 12 percent budget deficits.

And so, they were in a situation of almost having to default, and that discussion was on the table, and where they are now is really quite impressive.

And as a physician, the most impressive thing was that they actually built a health care system that focused more on prevention and primary care than on hospital care which almost every other middle-income country is doing, right? I mean, every other middle-income country I see is succumbing to the temptation to build fancy, shiny hospitals, which of course are driving up their health care costs.

The Turks said to me, "Our health care reform made patients very happy and doctors very mad." And as a medical doctor, I can tell you that's exactly what you want to hear when you hear talk about health system reform. So, they actually decreased their infant mortality rate by two-thirds. They decreased their maternal mortality rate. They increased their life expectancy. They did things that you never would expect to see in such a short period of time by quite literally taking the advice of us and many others and doing the right things in terms of their infrastructure investment.

So, Turkey continues to work with us. They don't need our money so much anymore, but the reason they continue to work with us is because they really feel that they've benefitted from our knowledge, and the quality of our knowledge is what we're really focusing on, here.

You know, it's my view that the future of the World Bank is going to depend on how well we capture, curate, organize knowledge and provide it to countries so they can actually implement it in their own situations.

And so, we did that very well for Turkey, and all of the changes that we're going through right now inside the organization are focused on improving the quality of our knowledge so that we can do the right thing.

And now that Turkey has actually done this and shown unbelievable changes in just these basic vital statistics, who's living and who's dying, the Turkish example is one that we're going to now take to many other countries in the world. All of the BRICS need to really look hard at the Turkish health care system example, because it's both saving them money and dramatically improving their outcomes.
NEW YORK TIMES: [Unclear] obviously are quite broad-based. The benefits of your major infrastructure investments are quite narrow. Can they really offset the losses [unclear]?

DR. KIM: Well, the--I'm not--say it again.

NEW YORK TIMES: You had said one reason your infrastructure fund is important is it will offset some of the damage that is likely to be done as QE is pulled back and as interest rates rise. The benefits of low interest rates stretch out to small businesses and individual borrowers, they're very broad based.

DR. KIM: Right.

NEW YORK TIMES: The benefits of investment in a new power plant are quite narrowly focused, [unclear], and long term.

DR. KIM: Right.

NEW YORK TIMES: I don't entirely understand how it will offset those losses.

DR. KIM: What we would say is, no matter what, the high interest rates are going to affect everybody. They're going to have an impact, whatever we do. The impact of the higher interest rates will be there.

The question is, will you have higher interest rates and also very high energy prices, or will you have high interest rates and lower energy prices because we've been able to make the kinds of investments we need to make in much lower cost energy for places like Nigeria, Burkina Faso, places that are playing huge sums of money for electricity.

Just to give you a very specific example, I was in Senegal and we were involved with the French Government--excuse me, the French company Eiffage, they're called, in building the very first toll road in Sub-Saharan Africa outside of South Africa.

Now, when we started, the evidence was all very clear that this could have an impact, but there were all kinds of objections that they can't do it. "A toll road in Senegal? Are you crazy?"
So, we built it. And it has decreased the commuting time by two-thirds, and it cost $3.00 to go from one end of the toll road to the other, which seems like a high amount, but they've got exactly the number of cars that they thought were going to be on-road are on that road. And the impact of having that toll road has decreased traffic on the traditional roads so that even on those roads the transit time has decreased by two-thirds.

So, the company is making money, the government provided guarantees and made--and land, et cetera. We made an investment, the company made an investment, and the impact on the development of Senegal, I think, is going to be dramatic.

Already, they're saying, if you can decrease your commuting time by two-thirds, then people can actually live further away from the city center and you don't have the kind of congestion that you normally would in that city.

So, the interest rates are going to have an impact anyway. Going into a high interest rate environment with better infrastructure is a much better idea than going into it without access to good infrastructure.

**MR. DONNELLY:** We have to wrap it up, I'm sorry. Thanks, everyone, for coming. Again, we hope to do this more frequently.