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

July 15, 2014

World Bank Group President Jim Yong Kim
Press Conference
Manila, Philippines

Transcript

START OF TRANSCRIPT

[Background discussion]

John Donnelly: Hi, good afternoon everyone. Thanks for coming in the middle - before the storm hits. My name is John Donnelly; I'm the Communications Advisor for World Bank President, Jim Yong Kim. Jim will give a statement to start this and then we'll take questions from all of you. Jim?

Jim Yong Kim: Thanks very much. I'd like to thank all of you for joining me here today. Yesterday I was in Leyte, where I saw the tremendous work that's going on by courageous Filipinos rebuilding after the devastation left by Typhoon Haiyan. There's much more to do and more - there's much more that needs to be done but I was extremely impressed to see the great progress that's being made as communities come together to build back better--homes, buildings and livelihoods that will be more resilient in the future.

The Philippines gets hit by more disasters than most other countries and because of that it has become recognised as a global leader in building resilience and adaptation to climate change and natural disasters.

The country is also recognised as a founding member of the Open Government
Partnership, promoting open data and a new reconstruction portal to provide information on typhoon rebuilding projects. Good governance is directly linked to ending poverty; the other big goal that the World Bank and the Philippines have in common.

The Aquino administration has set ambitious targets to reduce poverty by 2.3 per cent a year from 2014 to 2016. And we support that.

The World Bank Group's Board of Executive Directors has endorsed a new country partnership strategy for the Philippines, which supports the country's efforts to reduce poverty, create more jobs and generate inclusive economic growth.

The four-year strategy calls for the World Bank Group to provide about $3.2 billion for public sector investments and another $1 billion for investments in business and industry by IFC, our private sector arm.

Under the strategy we'll also support the peace process in conflict-affected areas, including the Autonomous Region in Muslim Mindanao. We plan to provide US$ [119] million in new financing for farm to market roads, bridges, communal irrigation systems and potable water in Mindanao. The funding is part of a proposed US$508 million Philippine Rural Development Project I announced yesterday in Leyte. IFC is also considering investments in agribusiness that could generate at least 6000 jobs in Mindanao, including the Bangsamoro area.

Our support for peace and development is consistent with our twin goals of ending extreme poverty and promoting shared prosperity. The conflict-affected areas in Mindanao are some of the poorest in the country. When there's no peace, we know that there's no prosperity. That's why we want to help end the conflict by bringing in development projects as soon as we can. It's critical to our mission to end poverty.

Thank you and I'm happy to take your questions now.

**John Donnelly:** So please identify yourself and your organisation.

**Melo Acuña:** Mr President, I'm Melo Acuña from China Radio International. It's been said that the Philippines has already made inroads to achieving peace in Mindanao but there seems to be no investors getting into Mindanao because of our problem in infrastructure. Will World Bank be able to help create infra in Mindanao?
**Jim Yong Kim:** Well, this is precisely what we hope to do, farm to market roads, bridges, irrigation systems. This is precisely the effort that we're trying to make. The Aquino administration has made an effort to increase infrastructure investment and we think that these are the kinds of investments that are critical going forward. The areas of investment that we find especially encouraging here are that increased commitment to infrastructure, meaning infrastructure projects. But the other investments that are being made we think are extremely important are investments in health and education. Budgets in both those areas have gone up.

And what we now know is that it's not just the hard infrastructure that leads to economic growth. It's healthier people who are better educated that also drive economic growth. So we encourage investments in all of those areas. We hope that this $[119]$ million new financing will help to build that infrastructure in Mindanao.

**Melo Acuña:** Will you not make your presence felt in building electric power plants in Mindanao, which seems to be a problem in the area?

**Jim Yong Kim:** Yeah, I don't know the details of the electrical power in Mindanao. My understanding is that there's quite a bit of geothermal energy in Mindanao and the Philippines has really been a leader in geothermal energy and we strongly encourage them to continue to scale that up.

**Melo Acuña:** Mr President, one last question...

**John Donnelly:** I'm sorry; next question.

**Melo Acuña:** Thank you.

**John Donnelly:** Right there.

**Jennifer Ambanta:** Hi Sir, I'm Jennifer Ambanta from Manila Standard Today. Can you give an overall assessment of the Philippine economy, considering that we've grown slower in the first quarter? And do you think that we can still meet our GDP growth of 6.5 per cent to 7.5 per cent considering the typhoon season has already arrived?
Jim Yong Kim: So we have been - of course, we watch the global economy very carefully. We've reduced our overall estimate for global growth from 3.2 per cent globally to 2.8 per cent. The reduction has been mostly due to two factors; one is a very severe winter in the United States and the other is the crisis in the Ukraine. Despite the fact that we've lowered our estimate for global growth, we have not lowered our estimate for growth in the Philippines which we'd peg at about 6.4 per cent this year. Now it's not as high as last year but it's still very robust growth in comparison to even other countries in Asia.

So we're optimistic about the growth, we're also especially optimistic about the reforms that the Aquino administration is very committed to; fighting corruption, more openness, they're working hard to reduce the bureaucracy inside the system. Get projects moving more quickly, trying to improve the business environment. All of those things we think give us optimism that they will meet our original growth target despite a slowdown in the rest of the world. We believe that this slowdown was really a reflection of that first quarter. The US numbers look still quite good and we think that growth in the US is on track. There are still areas that are worrisome in Europe but certainly nothing like the situation we were facing certainly two years ago and even a year ago.

John Donnelly: A question - I'm sorry - over here.

Simone Orendain: Hi, I'm Simone Orendain and I am here from Voice of America. I was wondering what kind of support is the World Bank giving towards climate change and handling the effects of climate change? How does the Philippines compare to other countries in the region? Because you had mentioned what you noted about how the Philippines handle disaster risk.

Jim Yong Kim: Right, so we - battling climate change is one of our top priorities at the World Bank Group. We do a huge amount of business in energy every year. So our main areas that we focus on in terms of battling climate change, the first is to provide financing throughout the world for renewable energy. We have stepped up our efforts in that area quite dramatically. We are advocating very strongly what's been called climate smart agriculture. Agriculture that helps to put more carbon back into the ground and that is in fact - in fact both increases productivity and protects the planet.

Another area of focus for us is to build cleaner, more liveable cities. We've just completed a major report with the Chinese Government about urbanisation in China but continue to
believe that cities can dramatically reduce their carbon footprint and not suffer any kind of decrease in the quality of life.

Two other issues that are very important to us, that are politically difficult, one is a price on carbon. We’re moving very strongly to have a general statement at the UN General Assembly, the Secretary-General's high-level summit on climate, to have as many countries and companies as possible signing onto a statement about a price on carbon.

Finally, again, another extremely difficult area that we work on is to reduce fuel subsidies. Fuel subsidies are many hundreds of billions of dollars. They do not target the poor and they put much more carbon into the air. We're working very hard, along with our partners like the IMF, to try to help countries remove those subsidies.

Quite simply, the Philippines is really on the cutting edge in terms of both the mitigation and adaptation to climate change. In some sense the Philippines has no choice because there’s 36,000 kilometres of shoreline and a very large portion of it is susceptible to the kind of storm surges that we saw with Typhoon Haiyan. So we are very impressed with the efforts that have been made here. The response - Haiyan was such a huge disaster but the Government of the Philippines has been really looking all over the world for the best approaches to adaptation and mitigation and they really are leaders in this area.

We look forward to continuing to work with them. Here, the reality of climate change in the sense that climate change, as we know, will lead to more extreme weather events. The reality of more extreme weather events hitting the Philippines more is just something that now the people of the Philippines live with. And through both their approach to adaptation and mitigation, but also their very important advocacy in the world, we hope that more countries will wake up to the problem and begin working together to find solutions.

**John Donnelly:** Thanks, up here.

**Melissa Gecolea:** Melissa from ANC. You have mentioned more infrastructure being built in the Mindanao area. When are these projects set to start and when are they set to end? Does this also include seaports? Because our seaports are sorely lacking, especially when you compare it to other ASEAN countries.

**Jim Yong Kim:** Maybe Motoo (Konishi) or Axel want to take this specific question?
**John Donnelly:** This is Axel van Trotseburg; he's the Vice President for the East Asia Region.

**Axel van Trotseburg:** Thus far we have supported these areas through our existing infrastructure projects. However, what we would like to do now with the peace process, to scale this up. The first effort is that - President Kim already mentioned, $119 million, we would like to present to the board in August a Rural Development Project that is $508 million and of which $119 million is destined for the Mindanao area. We would like then to see what we can do first, also with the IFC together, so that we can support private sector development and then build basic infrastructure. We would like to base ourselves on the plan the Government is going to present in September I think, September 8, 9, there's a conference on the Bangsamoro peace process. And on that basis we can define further additional steps.

**Melissa Gecolea:** Okay...

**John Donnelly:** I'm sorry, right here.

**Melissa Gecolea:** Oh, I'm sorry.

**Rose Francisco:** Sir, yes, Rose Francisco from Reuters. You mentioned earlier that projection for Philippine GDP is at 6.4 per cent. I just wanted to clarify that cause...

**Jim Yong Kim:** I actually made a mistake; it's 6.6 per cent in 2014 and 6.9 per cent in 2015. Is that right Motoo? That's the latest numbers I've gotten here. I thought it was 6.4.

**Rose:** (van den Brink) 6.6 and 6.9.

**Rose:** So that's one question. The other question Sir, you mentioned this morning - we talked a lot about governance and I just wanted to ask you, in terms of your efforts helping rebuilding in Haiyan-affected areas what exactly is the World Bank doing to ensure that the funds that you've committed will be used judiciously, wisely and will not be tainted by fraud?

**Jim Yong Kim:** Well let me start with the answer and then ask Axel to follow up. First of all we audit every single project. So we feel very confident in knowing where the money is going with specific projects that we fund. But also, now all the money going for relief from
Typhoon Yolanda is now available and it's been made publicly available, which we think is a great innovation and another example of the commitment of this government to transparency.

**Axel van Trotsenburg:** Let me just tell you what we have done. We started - once the typhoon hit, we provided very quickly a $500 million budget support credit that allowed the Government to spend according to the priorities they saw and that was approved in December, it was done in record time. Secondly, we are providing two different vehicles support, one is the conditional cash transfer and about 1.8 million people (actually, should be households) are benefitting in the affected area from the conditional cash transfer, a program that we are helping to finance.

Secondly, in May of this year we provided - our board supported the national community driven development project where, again, communities will be able to benefit from this project -- about 300 communities will be able to benefit from this -- that our projects will be designed by the communities themselves. So on the basis of their priorities we will be able to finance.

In addition I just mentioned this rural development project that will be presented to our Board in August. There out of the $508 million; $62 million has been reserved also for the affected areas. And here we are targeting two things; we are targeting fishermen and small farmers that they can be supported. In addition in that project is also a component to help the rehabilitation of rural roads. We are expecting that we can finance the rehabilitation of about 230 kilometres of damaged roads. So this is the part.

I just want to say, because it gives a lot of, the thing is on the money, but it's not only on the money. What we have been doing is also working closely with the government when the typhoon hit, in the damage assessment. And ultimately also to support the government with the whole preparation for RAY, what we could share of international experience. Similarly, we would like to continue to help in the long-term recovery of these affected areas.

[Aside discussion]

**Voltaire Tupaz:** Voltaire Tupaz from Rappler, an online news site. You mentioned earlier on “Speak Up for Climate” regarding your project on database, on big data, on tapping big data to promote transparency. You also mentioned that earlier in Malacañang. Can you
expound on the project? On how it's done, in particular, helping promote transparency as far as the funding for Haiyan's projects are concerned?

Second, you mentioned increasing funding for climate-related projects but on the other hand there are protests in the past and even at present regarding drivers of destruction, allegedly supported by the World Bank, as alleged by NGOs and you mentioned the conflict earlier, how do you deal with that policy-wise?

**Jim Yong Kim:** With the drivers of destruction?

**Walter Coopers:** Like, for instance, hydro projects among other, big... mega-dams etcetera. How do you deal with those issues?

**Jim Yong Kim:** Well, first on big data. World Bank itself has its own open data project that was started by my predecessor, Bob Zoellick. And we're making a huge amount of our data available to anyone in the world who wants to utilise it. I think that's just without question the trend in which we're going -- that the more data that's available, the more civil society, for example, will have an opportunity to keep governments and organisations like the World Bank honest in terms of following where the money goes. We're committed to it. This is just something that's happened in the world.

The utilisation of huge numbers of databases together to try to figure out what's happening is something that of course Google but many other search companies and many other companies are doing. So for us, the notion of tapping into very large databases, our own and others, to try to help countries develop is an idea that we're committed to. But also the other - the side of it is that if you're really committed to that you almost have to be very committed to transparency of your data. We feel that the Philippine Government is absolutely leading in that area.

Now in terms of drivers of destruction - I think it was the word that you used - if you look at the potential for hydroelectric power to take carbon out of the air, in so many parts of the world, the alternative to hydroelectric power would be coal-fired plants. So we have to carefully look at the environmental impact of hydroelectric power and compare it to the benefit of preventing coal-fired power plants from being started all over the world.

Now just to give you one example, there's a project in Africa called the Inga - the Grand
Inga Dam. If that's built out to its full capacity, that could provide as much as 40 gigawatts of installed capacity. The reason that's important, that's a base load, that constant supply of energy. So 40 gigawatts in Sub-Saharan Africa would increase the amount of electricity in Africa by 50 per cent. There's 80 gigawatts now. That one dam project could increase it to 120. So if you have that kind of possibility, you really have to step back and say so how much carbon is that going to take out of the air? It's literally billions of gigatonnes every year. So I think we need to have a different conversation.

We've got to stop using labels, we've got to stop just throwing bombs and say what are our concerns. First of all in order to lift people out of poverty you need energy. In order to create the kind of energy that will really drive economic growth it can't be intermittent. It can't be just solar and wind. So, we are ready, and we have been having conversations with the environmental community to really look hard at what the impacts are. We want to move beyond ideological debates and really get to the fundamental issues.

If you look at the extreme argument for Africa, what some of the people who are on the extreme are saying is, well we're so concerned about the natural environment that we think that Africa should not use coal, should not use nuclear and should not use hydro. What are we left with? We're left with an Africa that will remain without power and we cannot allow that to happen. It's not fair for people who did very little to put the carbon into the air that exists now, for them to have to pay the price by remaining in poverty is not fair.

So we at the World Bank Group are saying, when you think about how to approach projects like hydroelectric power you really have to apply several different lenses of justice to it. In the case of places like Africa, we feel very strongly that they deserve energy and we need to move forward and find ways of providing that energy as cleanly as possible.

**John Donnelly:** I think we have time for one or two more questions. Right here and then we'll [go to the back].

**Mynardo Macaraig:** I'm Mynardo Macaraig, French News Agency (AFP). I saw you mentioned about reduction in poverty being priority of the Aquino administration. But there's been a lot of criticism that they haven't really reduced poverty that much and the bulk of the wealth still goes to a small minority. Is there any estimate of how much poverty has actually gone down under this? Any estimate of how much wealth is really going to wealth of the poorest...
[Over speaking]

**John Donnelly:** Okay, we'll take the second question too. Right here.

**Ivan Mayrina:** Good afternoon, Ivan Mayrina of GMA 7. Much of the World Bank's confidence in the Philippines are - the steps taken by the Aquino Government in terms of curbing corruption and increased transparency in governance. I'd like to ask about Government spending, because the raging issue in the country now is the disbursement acceleration program. The President has defended it saying it has spurred economic growth and the critics are quick to debunk that, saying that the World Bank said that it's a miniscule amount that has hardly had any impact on the economy.

I'd like to ask what you think of the way Government has spent with these budgetary innovations being introduced and how they have, if at all, impacted the economy?

**Jim Yong Kim:** So let me take both those questions, they're in many ways related. So the Gini index, which is what we use to look at inequality, the Gini index has improved. Now it hasn't improved as much as President Aquino and his Government would have liked. But there are, the stubbornly high rates of poverty and inequality, there's been high population growth, especially at the bottom end of the distribution, low productivity in agriculture. Very recently there was a slowdown in the growth rates in the first quarter; we think that was due to Typhoon Yolanda.

So there are remaining reforms to be made in the Philippines. But if you look at some - and this gets to the spending - if you look at some of the spending decisions that have been made - for example between 2010 and 2014, spending on health and education has doubled. This is extremely important. As I've said before, this is not just expenditure. The increased spending on health and education is, in fact, directly related to economic growth, and especially if it's done in a way that this Government has done, which is to make sure the access to education, access to healthcare among the poorest is preserved.

We think that the impact both on inequality and growth can be very powerful. So we haven't seen all the impacts of it yet but in terms of the very specific things that they've done, by fighting corruption, by investing in health and education, by investing more in infrastructure, there's been a significant increase, 22 per cent or so increase in spending on public
infrastructure. We think that those are the kinds of investments that will lead to more inclusive growth in the future.

So, again, not seeing the numbers that we'd like to see yet, but in terms of our own experience in watching countries go down a path of growth with inclusion, we think that these are the right expenditures.

As for the DAP, I have neither the expertise nor the mandate to comment on constitutional matters, and this is partly what the issue is. But I was in a meeting today where President Aquino went through the list of all the things that did happen as a result of the DAP. And again, we work with them very closely. Their very clear purpose is to have economic growth with inclusion. They're focused on poverty; they're focused on job creation.

So far a doubling of health and education spending is a remarkable change in a short period of time. We'd simply encourage the government to continue with the reforms around corruption, to continue the increased investment in infrastructure, health and education, and to continue to try to improve the business environment. These are the kinds of things that over time will lead to inclusive growth.

**John Donnelly:** Thank you very much for coming.

**Jim Yong Kim:** Thank you.

**END OF TRANSCRIPT**