

Link to Food Price Watch release (April 14, 2011)—Here: <http://go.worldbank.org/DGNYAFM0Y0>
Link to transcript here: <http://go.worldbank.org/QTEKSVPUU0>

**Remarks at the Opening Press Conference
World Bank Group President Robert B. Zoellick
April 14, 2011**

MR. MILLS: Okay. Thank you all for coming.

President Zoellick will be giving some opening remarks to kick off these Spring Meetings, and then we'll take your questions. We would ask that when you ask your question if you could identify yourself and your news organization; and if we could just make sure that all cell phones and pagers are off.

So, without further ado, President Zoellick.

MR. ZOELLICK: Thank you, Rich, and thanks to all of you for coming.

We may be coming out of one crisis - the financial and economic crisis - but we are facing new risks and wrenching challenges – **high and volatile food prices; high fuel prices with knock-on effects for food and, through food for stability;** political upheaval in the Middle East and North Africa; turmoil in Cote d'Ivoire; repeated natural disasters; **rising inflation** in emerging markets with some risks of overheating; sovereign debt issues in Europe.

Today I want to address the biggest threat to the poor around the world: high and volatile food prices. Today, we are releasing an updated Food Price Watch. And the numbers tell a grim story of persistent grinding pressure on the world's poor.

You are all aware of the ingredients: high food inflation, mix in price gyrations, and then stir higher fuel costs, and you get a toxic brew of real pain contributing to social unrest.

Food prices were not the cause of the crises in the Middle East and North Africa, but they are an aggravating factor. Our latest Food Price Watch shows that there is double-digit food price inflation in Egypt and Syria. It shows that commodity price spikes particularly hurt poor countries.

Data from 46 countries from 2007 through 2010 suggests that low and low-middle-income countries have experienced higher levels of food price inflation compared to upper-middle and high-income countries, particularly when international prices spike.

With food prices, we are at a real tipping point. Food prices are 36 percent above the levels of a year ago and remain close to the 2008 peak. Already 44 million people have fallen into poverty since June of last year. If the Food Price Index rises by just another 10 percent, we estimate another 10 million people will fall into extreme poverty - that is where people live on less than \$1.25 a day. And a 30 percent increase would add 34 million more people to the world's poor, who number 1.2 billion.

We can do something about this.

Some have asked; what can the G20 do? The G20 can play a leading role. I believe multilateralism must be focused on doing real things in the short term while building toward mid- and longer-term actions.

So I am pleased that France has made a top priority for its Presidency of the G20 the topic of food. We are working closely with the G20, and I believe we can take a number of important steps that will help in two key areas: food price volatility and food security. We are going to be using these meetings with the G187 to help prepare the way.

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First, we are working on a new code of conduct for countries with regard to export bans. At a minimum, these should not apply to humanitarian suppliers such as the World Food Programme.

Second, we believe that having better information on food stocks' quality and quantity would help.

Third, supporting the pre-positioning of small, humanitarian food stocks in places like the Horn of Africa, operated by the World Food Programme.

Fourth, helping countries to manage agricultural risks better.

And fifth, the World Bank and the regional development banks can help countries with quick support for the most vulnerable through effective, targeted nutrition and safety net programs rather than mistaken price controls or broad-based increases in wages.

More can be done on the production side, too. The World Bank is now investing about \$7 billion a year in improving agricultural production, from seeds to irrigation to storage. And we are investing all across the value chain.

One area of focus is agricultural research—helping to develop better seeds. We are discussing with France and the G20 about perhaps intersecting that with some of the anxieties about climate change and reviewing some of the research priorities as we boost support for the 15 key research centers in agricultural research around the globe.

I think these goals are achievable in coming months and I am looking for results at the meeting of G20 agriculture ministers in France in June. And I look forward to continuing to work with the French and others to make this happen.

As I mentioned, one of the key areas related to the food situation is the turmoil in the Middle East and North Africa. While there will be varying speed and scope to the initiatives in each country, the World Bank Group is focused on listening and helping countries move ahead.

In Tunisia, the World Bank will support the authorities on a \$500 million budget support operation that should leverage another \$700 million from other donors. These reforms will focus on freedom of association, access to information, transparency in public procurement. In addition, we are going to support government efforts to try to reduce regional economic disparities, cut red tape, boost accounting and controls with the audit agency, and create an employment pilot program. Our IFC private sector team is considering how to boost private investment, especially through financial intermediaries that can get credit to help businesses expand.

We should remember that the revolution in Tunisia started with the self-immolation of a fruit seller who was harassed by authorities. We will therefore also support Tunisia's efforts to limit the arbitrary imposition of regulations and red tape. I'll be going to Tunisia in May to see how we can further help the Tunisian people.

Yesterday our private sector arm, IFC, announced an initiative that goes to the heart of one of the Region's challenges: unemployment. It's called E4E, Education for Employment, and it will help young people to gain the necessary skills to succeed in the job market. This initiative means working with the public and private education providers, civil society, public sector policymakers and administrators, and private employers so as to help realize the extraordinary potential for young people in the Arab world.

We are pleased that our partner in this venture is the Islamic Development Bank, and together with IFC, we look to try to mobilize \$1.5 billion and \$2 billion to be invested in E4E programs in the Arab world over the next five years.

We are also making progress in building the capacity of civil societies in the Middle East and North Africa, a challenge that I referred to in my speech last week. The World Bank will announce today that it is

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supporting the Arab World Affiliated Network for Social Accountability, a network of civil society organizations, with a \$3.5 million grant.

Later today, I will be hosting a meeting of my colleagues from the multilateral development banks on the challenges of the Middle East and North Africa. After that, we will have here at the Bank a Dialogue on Transitions in the Middle East and North Africa with the multilateral development banks and finance ministers from the Middle East and North Africa, as well as the G7 countries.

We are engaged with the dramatic events in Cote d'Ivoire. I will be meeting later this week with the Ivorian Finance Minister, Charles Koffi Diby. Cote d'Ivoire needs security, jobs, and justice. Working with regional partners, the World Bank stands ready to offer important assistance: financial, policy, and technical.

If the security situation allows, we can within the next couple of weeks reactivate some World Bank programs worth about \$100 million to help the people in Cote d'Ivoire. And our idea is that these can focus on emergency infrastructure, water services, trash pickup, making sure that schools and clinics function. So it fits what we put out this week with our World Development Report about trying to act fast, in a supportive way, and show progress on the ground.

We can also provide targeted assistance to victims of sexual violence, whose numbers, sadly, have grown dramatically during this post-election crisis.

So, returning to food prices, the world's poor cannot wait. As the hunger clock on the front of our building shows; there's nearly one billion undernourished people on our planet, and this number is increasing by 68 people every minute; that is more than one every second. Time is not on our side, so we are going to have to run hard to catch up if we are not to lose a generation.

I am pleased to take your questions.

MR. MILLS: Yes, Alex?

QUESTION: Could you please tell us what you think—

MR. ZOELLICK: Everybody—I'm sorry—just for everybody—the name and—

QUESTION: Yes; sorry about that. Alex Brummer, London Daily Mail.

Mr. President, could you please give us some analysis of why you think food prices have gotten to where they are? Is it demand factors? Are there commodity firms taking advantage of the poor? Are there speculators involved in this process, or is it supply problems?

MR. ZOELLICK: It is a combination. We have had stocks of many of the basic commodities continue to get lower and lower over time, and therefore, if you then have some external event, like the weather problems we have had across Russia, Ukraine, North America, China, some in South America, you don't have much cushion.

Now, at the same time, there is a demand change going on, and that is that with the higher incomes in developing countries and changing diets, we are seeing an increased pattern. People will eat more meat products, for example, that will use more grain. This is a good thing over the long term in terms of nutrition, so I am not by any means suggesting that the improved diets in the developing world are the source of the problem, but it means that it takes longer to rebuild the stocks when you get a supply response.

So one of the points that we are trying to emphasize through these meetings is the need for the G20 and for the World Bank and others to put food first, because I think we are in a particular moment of vulnerability in that if you have some other events, which you can never predict, we really don't have a cushion.

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Now, another problem is the connection with fuel prices. So, as you see fuel prices go up, driven in part by events in the Middle East and North Africa, the linkage between food and fuel is much tighter than it was 10 years ago. Some of this is biofuels, but part of it is related to fertilizers and the inputs for energy, and part of it is also connected to general money moving in and out of commodity markets, and that is linked to other issues including where investors will put their funds if they are concerned about inflationary aspects.

So you have a whole series of interacting items here, but the reason I emphasized this in my opening statement is that on the one hand, we can make this into an advantage with production and productivity and expanding the supply in the developing world, but in the near term, I think there are some very practical steps that can be taken to help avoid some of the problems of volatility, and I would like to push the system to take them over the next months.

QUESTION [Off mike]: Sorry. On the speculation point, can you elaborate on that? [Remainder of question inaudible.]

MR. ZOELLICK: You get a variety of studies that in a sense have not supported the general anxiety about speculation. However, when you have a lot of money flowing around in a system, and sometimes people will treat commodities as an asset class, whether it is copper or gold or food commodities, then you can get situations where, when money moves, it can exacerbate some of the shifts in the movement.

Again, you will see from my comments that I think the better way to try to deal with this is to try to focus on information in the markets and not exacerbate a problem, for example, an export price ban that then adds to the volatility and perhaps funds moving in, and focus on the most vulnerable. So, in the past, sometimes, these broad steps people have taken of trying to control prices or increase wages then just add to some of the other related problems. And we have learned a lot over the past 10 years about how to support with school feeding and nutrition programs, particularly focused on the next nine months to two years for children, so we can do this most effectively.

MR. MILLS: Yes, the lady in the back.

QUESTION: Xian Xiaonan [ph.] from China Central Television Business Channel.

My question is on, as you just mention in your report, inflation and overheating problems and risks faced by emerging markets. So, what do you think are effective measures that need to be taken by these countries both in the short term and the long term?

Thank you.

MR. ZOELLICK: It varies by country, and for some of them—and the nature of the recovery we have had is a multi-speed one, so particularly in the developing world—and you are from China; this is a good example of this—the recoveries have been stronger and faster, so it is natural that countries then have to adjust their monetary policies, they may have to adjust their fiscal policies, they may want to adjust their currency policies. These are the standard tools to try to deal with the issues on the demand side.

I do think there is also in some developing countries a supply side bottleneck issue, and this requires you to look country by country, and that is one reason why one area that the Bank has put a lot of investment in, and we are trying to support additional private sector, is infrastructure. So, in some countries, we find that there are bottlenecks in the infrastructure sector.

And then—we just talked about food and fuel prices—depending on the make-up of a country's sort of consumer basket, these can also be influential dimensions.

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MR. MILLS: Yes, the gentleman in the back.

QUESTION: Hi. My name is Kojo [ph.], and I am from JFM [ph.] in Ghana.

It is interesting what the Bank is doing to help the world catch up with the food price issue, but is there any recommendation that the Bank will have for regional groups and perhaps some governments to embark upon to ensure that they are able to hold the situation quickly before it gets out-of-hand?

MR. ZOELLICK: Well, in the agricultural area, the primary one is that, coming out of the L'Aquila Summit, countries worked with the Bank to create a special Trust Fund Facility, and we worked with NGOs, and principally the countries themselves—this was most significantly in Sub-Saharan Africa—to come up with production development plans to try to address some of these bottlenecks. It starts with everything from property rights to seeds, fertilizer, storage.

We have received commitments of \$925 million for this. We have now gotten in in recent days a total of about [\$405 million]. We have approved I think about six or seven of the plans. But one of the other messages that I will be giving at the Development Committee is that we have 17 good plans from countries that still have to be funded. So we need to work country by country on the plans, but then we also have to try to support them. As I mentioned, the Bank is then trying to do about \$7 billion of support about a year. That is actually about \$2 billion from IFC, our private sector arm. So these are all done with our clients, and they have to be designed with our clients.

Depending country by country—and you are from Ghana—sometimes there are marketing and other boards that can be adjusted. This is one of the issues that we are working on, actually, with Cote d'Ivoire with the cocoa. So you get into specifics in each country situation.

But by and large, I feel that countries in Africa have realized this as both a need and an opportunity, so I think we have developed some good partnerships to try to see if we can build the production over time.

There is one other issue that I think we will be discussing, at least in the G20 context. As many of you know, you have also had some countries such as Saudi Arabia that used to grow wheat, and they have decided, well, it doesn't make much sense to grow wheat, let's invest in other countries to grow. And this raises sensitivities sometimes about the purchasing and investment and the land.

We worked with a number of other partners and are now working with the FAO on responsible principles for food investment--this has included Sub-Saharan Africa, also some in Central Asia—the idea being that investment can be helpful and can help create additional food production, but one needs to do it in a way that helps the local people and meets local needs. So I hope we can give these principles some additional momentum over the course of 2011.

MR. MILLS: Yes, ma'am.

QUESTION: Hi. My name is Ms. Niveen Ahmed, from Egypt.

I was wondering if you had reached any agreement regarding Egypt, like Tunisia.

MR. ZOELLICK: We have had discussions with the Egyptian authorities, and I'll be seeing some of the Egyptian officials during the course of this day, and then I'll have some bilateral meetings, but we haven't yet reached an understanding about the types of support that could be most helpful. The Egyptian authorities are also discussing the overall situation with the IMF, so that will be some of the discussions going on over the week.

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The early indications are that given the drop in the tourism industry and some of the others that there are going to be some budget challenges to be addressed. And from our point of view, we want to try, as I have said throughout, to lean forward and be supportive. At the same time, we think it is important to try to incorporate the types of measures I talked about with Tunisia that make for a more open system, a more transparent system, include Information Act provisions, and improve the governance process, because I think one of the lessons in Middle East and North Africa of these events is that while some of the basic growth rates were reasonably good, that macroeconomic stability wasn't enough, and even some of the reforms driven from the top down weren't enough. So the speech I gave last week emphasized why we believe that engaging the citizens as we are doing in Tunisia and Morocco and others would also be an important part of the Egyptian package.

MR. MILLS: Yes, sir, to you.

QUESTION: I am Guanyun from 21st Century Business Herald, the leading financial daily in China.

Mr. President, how do you evaluate the trend of food prices in the future? I mean, how long will it cost the World Bank to tackle the food crisis in the future? In the next six months or the next twelve months--do you think food prices will continue to rise in the next six months or in the next twelve months?

Thank you.

MR. ZOELLICK: I'm always a little wary about forecasting commodity markets with precision, but I think the general trend lines are ones where, as I have said, we are in a danger zone. We are in a danger zone because prices have already gone up, stocks for many commodities are relatively low. It varies. The rice stocks are better in the world, so for many East Asian economies that have focused on rice, it is a slightly better situation. But rice is a very thinly traded commodity--only about 7 percent of the production is traded--so if you did have something happen in rice, that would obviously put more pressure on.

You mentioned China. China's diets are improving, so as you know, there is an increased purchasing of feed grains for food stocks, so you are doing this for pork and other meat and poultry. So those prices put additional costs for the meat producers in the system.

So, whether it is six months or two months or, frankly, two years, I think we are in a period here where we have to be particularly alert to the dangers, because if you get spikes, they put greatest vulnerability on those who are poor and have the least ability to handle them. At the same time, we need to increase production, and that can create opportunity for poor countries.

MR. MILLS: Yes, sir.

QUESTION: Sam Fleming from The Times in London.

I wonder if I could ask a little bit more about the meetings this afternoon on North Africa. What will the main agenda items be on those meetings, and what tangible programs are you anticipating, especially vis-à-vis Egypt, in order to aid growth and transition there?

MR. ZOELLICK: Well, there are at least two that I am focusing on, although I suspect the subject will come up, as I mentioned, in other meetings over the next couple days.

The first one is that we are convening a follow-up meeting from a session we organized in London with our partners in the regional development banks. Here, the idea is that there are some that we will work closely with as funding partners. For example, the African Development Bank also funds in North Africa; the European Bank for Reconstruction and Development is seeking the approval of its shareholders to be able to also finance Egypt, and I think they thought they might be able to do about \$1 billion of financing if

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they get that approval. But we are also drawing from some of the experience of the Asian Development Bank and the Inter-American Bank about these types of challenges.

And I think this is an important point, because when we organized a couple weeks ago some of the Arab voices from the Region—younger people, scholars, journalists, others—and when I have talked with some of our own staff on this, they are looking to models from other developing countries--they are looking at Turkey, they are looking at Indonesia—and this creates some opportunity—this is where one of the Bank's comparative advantages comes in, to reach across the world and show how you might have safety net programs that don't blow a hole in your budget based on, say, the Mexican and Brazilian experience.

So that session is to see how we are aligned on some of those issues, and there is one other part that I am encouraged by. The Arab World Initiative that we launched when I came here in 2007 has helped us develop much stronger ties with some of the Islamic Banks and the Arab Funds, and some of them will be attending the meeting. As I mentioned, just yesterday with IFC, I took part in an announcement with the Islamic Development Bank, which has probably been our strongest partner, on this "E4E" effort. So this is a wonderful way of drawing in some of the financial resources in the Region as well.

The second session will give an opportunity for some of the Ministers—I think the Egyptian Finance Minister, the Tunisian Finance Minister—to explain the situation as they see it. I think this has been co-organized by France as the Chair of the G20 and G8, and the U.S. as the host country, and we also are going to play a role in describing the situation that we see.

This really varies by the specifics of each country, and as I have mentioned, I think Tunisia's own economic analysis has proceed where they are a few steps along, and as I mentioned, I am very pleased that I was dealing with this issues in 1989-1990, and sometimes people felt the international financial institutions took a while to get geared up—well, we are moving quite quickly with Tunisia, and if we can try to better understand the situation with Egypt and understand what financing role the IMF or others might play, we want to try to be supportive there as well.

But the key point I have also been emphasizing and I emphasized in this speech is that it is not just a question of money. It is a question of policy. And some of these steps, as I mentioned in my opening remarks—keep in mind, the late Mr. Bouazizi was basically driven to burn himself alive because he was harassed with red tape and locating a poor fruit vendor stand. So, given that you have 40 million people who are going to need to find jobs, and you have an informal economy, one starting point is to quit harassing those people and let them have a chance to start some small businesses.

So I have outlined in the speech that I gave last week—and fortunately for you, I will not repeat it all here—I talk about things in job market and investment and other areas. So those will be the topics of discussion.

MR. MILLS: Okay. We have time for one more question, if I could go to this gentleman right here.

QUESTION: Sure. Thanks a lot. I am Matthew Lee, Inner City Press.

On this outreach to civil society and the Arab world, I am wondering if the Bank has had any contacts with the Transitional National Council in the part of Libya, and if you think that if things remain sort of frozen and the country split in half, if the Bank or other development banks could have any role there. And also for your thinking on Yemen--given the crack down there, does the Bank intend to continue its programs, and what would be kind of a bright line of repression that would lead you to reconsider that?

Thank you.

MR. ZOELLICK: On Libya, the way we were set up in 1944 is we deal with established governments, so we've got to get a government established, and one of the ones that is foremost on my mind right now,

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actually, is Southern Sudan. Southern Sudan is one that, after the independence, we want to try to be supportive of.

So we are not in a position yet to deal with the transitional authorities, but we are in a position to try to help our colleagues in the UN agencies deal with some of the overflow. So you have had a huge flow of people fleeing the situation in Libya, and I might add—this is where one has to see how these pieces fit together—this certainly puts strains on Tunisia and Egypt at a time that they are going through their own difficult transitions.

The UN humanitarian partners such as UNICEF, World Food Programme, and refugee organizations play the key role, but I was actually quite pleased that in the case of Libya, a lot of the people fleeing were not Libyans. They were workers, and a number of them were from South Asia. So we moved quite quickly, working with the Bangladesh Government, to put together a funding operation to get the people out of the camps, help them get back to Bangladesh, and create some additional support for them to get back on their feet. So that's the type of thing we are doing.

In addition, in Libya, we are trying to keep a general watching brief. If you recall, Libya was obviously not a borrower of [the World Bank] --we only had some general technical assistance operations--but we want to try to be in a position to best understand some of the economic challenges and ways that we can support it if it hopefully achieves the goals that the international community has set for it.

And in the case of Yemen, because of some of the dangers, we have had to move a lot of our staff out of Yemen. We still have local staff there, and we have a resident person overseeing our Bank-side brief and a person receiving our IFC-side brief, and we basically have on hold operations, in part because of the safety, and our people can't get around to do some of the things that they would like to do, but also, I do think one has to try to see what comes out of the political side. But again, in many of these countries, we are trying to walk a fine line. We are trying to be active so that we can be supportive more quickly, whether it is Cote d'Ivoire or Southern Sudan or Tunisia or Egypt. But I do have to manage safety concerns, and we have to deal with the political processes as they evolve.

MR. MILLS: Very good.

Thank you all very much.

MR. ZOELLICK: Okay. Thanks, Rich.

[Whereupon, at 9:26 a.m., the Press Briefing was concluded.]