

Transcript of World Bank Group President Jim Yong Kim's Press Conference at the World Bank-IMF Annual Meetings 2016

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MR. THEIS: Good morning. I'm David Theis, press secretary for the World Bank. We'll have brief opening remarks from the World Bank president Dr. Jim Yong Kim. And then, we'll turn to your questions. When we get to questions, if you could please identify yourself by name and your outlet that would be great. Thanks very much and we'll turn to Dr. Kim. Jim?

DR. KIM: Thank you very much and welcome to the 2016 World Bank/IMF annual meetings. I first want to say a few words about Haiti, a country that I've worked in for many, many many years going back to 1988. It was devastated of course by Hurricane Matthew. Our thoughts are with the people of Haiti many of whom are still recovering from the earthquake of 2010.

We've reached out to the government and offered immediate support to respond to the disaster. Our staff on the ground are already working with the ministry of public works to begin restoring access to the hardest hit areas in the south of the country including a key bridge that was washed away.

It's too early to know the full impact of the storm and some of the most vulnerable communities live along the coast and cannot yet be reached. Initial indications show that the Haitian government took early action warning people and opening 1,300 shelters. The civil protection municipal committee supported by our ongoing IDA program, our fund for the poorest countries, went house to house in communities to encourage them to leave high-risk

areas. We're sending a rapid assessment team to coordinate with Haiti's partners in establishing the extent of the damage and we'll be using funds from existing operations to help clear debris, repair bridges and roads, help kids return to school and clean up mudslides which require heavy and expensive equipment.

Haiti has also requested a payout from the Caribbean Catastrophe Risk Insurance Facility which we developed with them which is a form of collective insurance against natural disasters. Of course our sympathy and solidarity go to the people of Haiti and to all those who have been and unfortunately may still be affected by Hurricane Matthew.

Disasters like this remind us of the need to help countries build greater resilience against ever more frequent shocks. Extreme weather also underscores the urgency for global action against climate change. That's why the remarkable pace at which nations of the world have ratified the Paris Agreement gives us hope.

With the EU's ratification this week added to that of many other countries the agreement will enter into force in less than a month from now. This is the multilateral system at its best.

I'd now like to turn to what I'll be discussing with shareholders this week and then, we'll take some questions. Developing countries continue to struggle amidst a sluggish global economy.

Many countries have been hit by falling commodity prices and stagnating global trade. We now have the highest number of developing countries in recession since 2009 and we've been working to meet rising demands for assistance to help countries manage global challenges. Once again, the Bank is playing a strong countercyclical role in the global economy.

But multiple risks threaten hard-fought gains in many countries and can hamper progress on our goals of ending extreme poverty by 2030 and boosting shared prosperity. We released a report on these goals earlier this week. Our research shows that inequality is still far too high, both globally and within countries, constraining growth and breeding instability.

We need to focus more - we need to focus on growth and continue to reduce inequality and we have to make growth more equitable and more sustainable. Because of the multiple overlapping global shocks including climate change,

forced displacement, and pandemics, we have to scale up our efforts dramatically in building resilience.

If we're going to end extreme poverty by 2030 we've got to continue to focus our efforts and we have to face each global challenge with an urgency and scale commensurate to the problem. My message for shareholders this week is that we're pursuing our two goals, ending poverty, boosting shared prosperity in three major ways.

First, we will focus more on accelerating inclusive and sustainable growth. Inequality is still too high and the kind of growth we need must be shared far more broadly. We must also take advantage of a situation in which many funds, trillions of dollars of funds, are earning very little and looking for more return. We think there is an opportunity to crowd in many more resources into for example investments in infrastructure in developing countries.

The second, a key ingredient for building more inclusive growth is investing in human beings. The automation is going to have a tremendous impact on the kinds of jobs that are going to be available. We think all countries but especially the poorest need to invest more and more effectively in human beings.

Third, as I've just discussed, we're going to be focusing on building resilience to global shocks like the ones I spoke about. So two goals, three ways to get there, and now I'm happy to take your questions.

MR. THEIS: Thanks very much. Once again, if you could identify yourselves by name and outlet that would be great. And we'll turn to questions. Shawn? And if you could wait for the microphone please to come to you. Thank you.

QUESTION: Hi, Shawn Donnan from the Financial Times. Dr. Kim congratulations on your second term. Wonder if you could just address some of the controversy surrounding that reappointment in terms of the process and also the staff association and its concerns that it's raised.

And secondly, do you think you've outlined a big agenda there in terms of things that the Bank has to do. Does the Bank have the financial resources that it needs? Does the Bank need a capital increase?

DR. KIM: Thanks, Shawn. So you know, the pace of the reforms as you know well, Shawn, the pace of the reforms and the number of reforms that we did at the same time have caused some staff to be very uneasy. You know, the way that the election goes though is it's really up to our governors.

It's the 189 member countries. And I was very encouraged to see the kind of support that I received from member countries. And the things that they told me were, in fact, what we'd been able to do - more lending volume, better knowledge movement across the different countries.

We are now moving knowledge much more effectively than we have before. And, in fact, you know, the expenditure review was something that they really required us to do and then and we got through it. So on the one hand, there's no question that in large bureaucracies like the World Bank Group these kinds of large scale changes always cause disruption. But we're past it now and I'm very, I was just very encouraged by the response of our clients and the Board to reappoint me unanimously.

Now in terms of the second question was...

MR. THEIS: Capital increase.

DR. KIM: Capital increase. So you know, we have been asked to step up in many areas that we have not traditionally been involved in. So climate change was not a traditional area of work for us. Forced displacement was not a traditional area of work for us. And even pandemics, finding ways to utilize insurance products, utilize guarantees to protect populations against the kinds of pandemics that are almost certain to come. We hadn't been doing these things before and each of them makes sense.

We feel like we've brought unique tools and skills to the problems. But if you expand the agenda like that and then, at the same time also have increasing demands for the traditional things that we've been doing, it's hard to see how we're going to meet all those demands without a capital increase.

So we've been making the case. I think there's generally speaking much more openness to a capital increase. I think also though that the case that we can make is a dollar given to us multiplies many times. So IBRD, the total paid in capital for IBRD over 70 years is \$15 billion. AIIB, the Asian Infrastructure Investment Bank, by 2020 will have \$20 billion in paid in capital.

So we've turned \$15 billion of paid in capital in IBRD to \$600 billion in loans that, you know, today an IBRD loan, if we do the right swaps we can offer countries, you know, 15-year maturity money at two percent. So IBRD is an extremely efficient way to move capital to the places that need it in order to spur economic growth.

So we'll make the case and then, we'll be just as my election was up to the governors the capital increase will be up to the governors.

MR. THEIS: Right here in the third row. If the microphone - thank you.

QUESTION: Thank you very much. Thank you. Good morning. My name is Yolanda Morales from El Economista Newspaper in Mexico. In Mexico we had low interest rates. We made the structural reforms. We cut the government spending. We made a fiscal reform and the economy seems not to respond. What else could we do to increase our GDP?

And I have a second question, please. Must we be worried about the commercial reverse in the USA? Are there some kind of policies that we can do to avoid? Thank you.

DR. KIM: So first of all, I think that I have been a great admirer of the reforms that President Pena Nieto has put in place. They were very courageous. And although, Mexico has not yet experienced all the benefits of the reforms there are some very remarkable positive experiences.

For example, one of the things that President Pena Nieto did was he really reformed the energy sector. And so after the reform of the energy sector he was able to launch an auction for solar energy that brought an extremely low price, around 4.5 cents per kilowatt hour which, for any country in the world, is good. It's about half the price of electricity in the United States. And so you're not going to see all the impacts of the reforms right away. But that is one of the ones we've seen.

Also, you know, quite apart from the fundamentals of Mexico, the exchange rate has been going up and down based on political considerations more than looking at the fundamentals of the Mexican economy. So I think, probably up to the election, the U.S. election, there will still be some potential volatility. But we believe very strongly in the really wide-ranging reforms in the economy that President Pena Nieto has put in place. And I'm not sure what you mean by commercial reverse, so.

MR. THEIS: Over here, please. Thank you.

QUESTION: Hi, good morning. Congratulations for your election.

DR. KIM: Thank you.

QUESTION: My name is Mary Lagonia for Argentina, Telan News Agency. I would like you to tell us your opinion about the new relation between the World Bank and Argentina. I know yesterday you talked with the finance minister about the new poverty measures, and the new President Macri Argentina will take in the G-20 in 2018, next year. If you can tell more, the way that Argentina can reduce poverty, maintaining growth?

DR. KIM: Yes, thank you very much. So we've been extremely encouraged by what President Macri and Finance Minister Prat-Gay have been doing.

First of all, just the reembrace of global markets has been extremely important. At a time when so many countries are talking about closing borders and slowing trade and disengaging with a global economy, the fact that Argentina is reengaging in such a thoughtful way, it's very, very encouraging.

You know, the reason we now know more about the poverty level is because of a commitment to providing clear, more accurate data. That's just a prerequisite for all of us to engage in. Because of that commitment to providing cleaner data, we felt very comfortable engaging, and so Argentina's going to now be one of our largest portfolios in Latin America.

The poverty rate was both surprising and disturbing. But, again, I think the positive to take out of this is that Argentina has recommitted to providing accurate data in a transparent way. So, you know, there's been many, many experiences with poverty reduction in Latin America. The conditional cash transfer programs, direct support to poor people.

Also, there are many issues in terms of increasing productivity in Argentina that we are working on them with. So it's a broad agenda. It's both policy reform and also trying to create an environment where, after many years, we can begin to think about attracting private sector investment from outside Argentina.

So there's a growth strategy. There's a strategy focused specifically on supporting the poorest. We are expanding our portfolio with Argentina. And, frankly, we're optimistic that things will get better.

MR. THEIS: Thanks. Larry Elliot, the fourth row please, in the middle.

QUESTION: Good morning. Larry Elliot of The Guardian. Long before you were World Bank president, but I was around, sadly, these meetings were dominated by debt relief and trying to piece together Hipit deals, a decade or so ago. How close do you think we are to another debt crisis given the strains a large number of developing countries, particularly in Sub-Saharan Africa are coming under as a result of commodity price falls and large amounts of lending during the good times?

DR. KIM: Well, Larry, I think if you look at debt to GDP ratios they're still, in most of Africa, still pretty reasonable. You know, we are not -- there are some countries that are now about 50 percent, but there's still many countries that are still quite a bit below 50 percent in terms of debt to GDP ratio.

So what we're doing now is to really try to focus on things like can we create asset classes even, for example, in African infrastructure that will require relatively less indebtedness and really bring private sector investments into these countries. We're watching debt levels very, very carefully.

I am not yet concerned that we're reaching a debt crisis level, certainly not in most of Sub-Saharan Africa. But we have to watch it. Now, if you look at the places that have gotten into trouble recently with debt, two of them are Lebanon and Jordan. Jordan, itself, went from around, you know, a little over 50 percent debt to GDP to over 90 percent, and that was mostly because of their response to the refugee crisis.

So one of the things that we are now doing is we're being much more strategic and much more flexible in the way we use concessional finance. So for Jordan and Lebanon we're actually providing them concessional lending. We took some money from the UK that was given as a grant, and go to the capital markets, blend the two, and can provide, you know, 15 to 20 year money at close to zero percent, because we want to show that when countries provide a great service for the world in absorbing Syrian refugees that they should not become indebted, and certainly not indebted with short maturity, high interest debt.

So we're following it very closely. I think the new flexibility that we have in using concessional resources will help us even more in being able to respond to situations like Jordan and Lebanon.

MR. THEIS: In red please. Thank you.

QUESTION: Thank you, Dr. Kim. Your goal to end the extreme global poverty by the year of 2030, what is your expectation from China to help you to achieve that goal?

The second question is on the partnership between the World Bank and China in the development of the African countries. What will be some of the key areas that you will focus on during your second term? Thank you.

DR. KIM: Well, first of all, without China we'd have no chance to even think about ending extreme poverty. China lifted 700 million people out of extreme poverty over the last two to three decades. So there's still people living in extreme poverty, but not very many. China, itself, is determined to bring that number down to zero in the very near future.

In terms of our work in Africa, well, of course, this is one of the places that we have to focus on the most in terms of ending extreme poverty. So we have many different kinds of partnerships. For example, the managed co-lending portfolio project, MCPPR, our new window, was started, actually, with investments from China.

What it is, is our first effort to create infrastructures in asset class and China gave us money and now private companies have joined. What we're doing is we're taking a number of different infrastructure projects in Africa and other parts of the developing world, and then turning them into an overall portfolio. First step toward creating emerging market infrastructure as an asset class.

So China has done it with capital. We have projects where we're working and investing in parallel with them in the infrastructure projects in Africa. Of course, the Asian Infrastructure Investment Bank we've already done a joint lending project to Indonesia. But I expect that China will be a very important partner in this effort to end extreme poverty, not least of which is in people trying to understand how they so rapidly lifted so many out of extreme poverty. And I think the message we all need to take from China is that the reason China was able to lift seven hundred million people out of poverty was

very much related to, one, trade and, two, the openness of their economy to competition from the outside. They had to make products that were competitive in the global market. And in doing that those were two key determining factors in their ability to end extreme poverty. And that's of course the message we're sending to all developing countries.

MR. THEIS: Great. In the fourth row please. Thank you.

QUESTION: Alicia Saligal, Excelsior, Mexico. Thank you very much, Mr. Jim, and congratulations for your reelection.

The question is about the data figures that are becoming to be public and as you were taking about. Is the mobilization of the (inaudible) in the hedge funds and the private funds to the infrastructure in countries who have a straining fiscal budget like Mexico, how could we manage and how could we lower the risk for those funds, especially if you see the problem of governance or transparency in countries like Mexico too?

DR. KIM: So, you know, in every country the task of crowding in private sector finances is different because every country has a different policy regime, every country has different regulations, every country has a different track record in working with the private sector. Our commitment is that for every country that asks this, every country that has infrastructure needs, we're going to begin exploring with countries of course, but also with private sector investors. What level of de-risking is going to be required for us to be able to track those funds. Now in some of the poorest countries, and even fragile and conflict affected states the level of de-risking might be very, very high.

But just to give you an example, the new MCPP along with Swedish Development Agency, Sida, Sida and IFC are going to be taking first loss. In other words, if a project falls apart the first percentage -- and we haven't decided what that is going to be yet -- the first percentage of the loss will be taken by both Sweden and IFC. That can serve to de-risk an investment. If we provide political risk insurance or credit enhancement through MIGA, that can also decrease the risk. We're also looking to provide tools like exchange rate risk guarantees. And in many poor countries market will simply not provide an exchange rate risk guarantee. And so we're looking to do that using our IDA equity. And, you know, we already do partial risk guarantees. There are many different instruments that we have that can lower risk. And what we're now saying is that the entire World Bank Group

has to work together, all the different parts of the World Bank Group have to work together to find out what level of de-risking is necessary. Because again, this is a unique opportunity. There are not many good things about the current global economic situation, but one of them might be that because these funds are earning so little we might have an opportunity to crowd in much more private capital than we would if they were earning more.

MR. THEIS: Great. Thank you. Yes.

QUESTION: Thanks a lot, Dr. Kim. Congratulations on your reelection.

My name is Aby Agina from Kenya Television Network. Just a few questions. My first question is you mentioned that low income countries continue to struggle, you're seeing projections at about one percent Sub-Saharan growth. Perhaps do you feel investments in infrastructure have been paying off in Africa? And of course this is backed on -- we're also seeing a lot of countries going into recession in Africa. If you could comment on that.

And my second question is what's your big picture outlook for Africa now that you're serving another term? What sort of other areas or sectors will you be keen on now that you're still in the seat?

DR. KIM: Thank you. So among the most worrying numbers coming out of this meeting is the growth estimate for Sub-Saharan Africa, which we revised downward. So it's 1.6 percent, and for next year we're expecting about 2.9 percent. And that's in the context of population growth of 3 percent. So if growth can't keep up with population growth that's essentially negative growth. So we're very worried about it. It has a lot to do with the falling commodity prices. If there's any good news it would be that commodity prices seem to have bottomed out.

Now have infrastructure investments paid off? Yes, they have. But there is just nowhere near enough in Africa. The deficit in terms of energy, in terms of roads, is just enormous. And so when I talk about this new approach to doing everything we can to crowd in private sector investment, of course Africa is one of our prime targets. We have to find ways of de-risking the investments in a way that will work. And let me just give you an example of a possibility. In Senegal, IFC, our private sector group, built a toll road. And at first it came under great critique, because they were saying a toll road it will exclude the poor, it won't work, people don't want to pay money to go on a road. And after they built it what happened was that commute times for

everybody in Dakar went down because those who could afford to use a toll road were very happy to use it, it cut their commute time down dramatically. But it also dramatically reduced traffic on the regular roads, so that even the poorest, who couldn't afford to use the toll road, they saw that their commuting time dropped dramatically. So there are solutions out there that will both provide a good return for private investors and can have a very positive development impact, like something you wouldn't expect, a toll road in Senegal.

So we're looking at every single possibility where public-private investments could provide energy for poor people, provide access through roads, while at the same time providing a return that will attract investors.

Let me give you another example. It was thought that it's very difficult to put auctions together in Africa for solar energy. But we now have something called Scaling Solar, which is a one stop shop solution where we do everything from policy reform -- the World Bank side, the public sector side helps with policy reform -- to providing the forms necessary, just the paper forms necessary for people to apply, and then we run the auction. And in Zambia, just a few months ago, we got a price of \$.06 a kilowatt hour, very, very low, especially in Africa. And if Zambia can get that kind of price -- and these were all private sector power companies that made these bids -- this is a perfect example of how you can crowd in private sector and both provide more energy and at a lower cost to people in Zambia. We want to scale those up.

MR. THEIS: We'll take Andrei Sitov here in the front row please.

QUESTION: Thank you. Andrei Sitov from TASS from Russia. The Russian Prime Minister, Mr. Medvedev just published a big economic essay where he complained that the global economic system is unduly politicized. And then basically he cited sanctions, but we can give other examples. As you know at the bank Russia cannot have its own projects if it wanted to approved at this point.

I wanted to have your opinion on whether this is the most politicized, whether that is a major risk for the economy.

Thank you.

DR. KIM: The uncertainty around certain elections and political process in the future is definitely a risk for the global economy. Uncertainty around the ultimate impact of BREXIT, uncertainty around the U.S. election, uncertainty around elections in Europe. These are all risks. And at the World Bank Group what we see is that uncertainty is usually very bad for most developing countries. So we're a cooperative of 189 member governments and despite the fact that it says in our Articles of Agreement that we are not supposed to be involved in politics it's very difficult for any multilateral institution to be completely apolitical. So, yes, we do see the impact of politics in our institution, but we try every day to focus on providing financing, knowledge and support to end poverty. That's our goal. Our goal is not to be involved in politics and take a stand one way or the other.

MR. THEIS: All right. One more?

DR. KIM: Yes, one more.

MR. THEIS: All right, we'll do more. This young lady right here please.

QUESTION: Good morning. My name is Calondi from Zambia. I'd like to find out how much the World Bank will commit towards scaling up Zambia's energy sector and which areas of energy are we looking at, is it solar, is it hydro?

Thank you.

DR. KIM: So I don't know the exact number that we're committing to Zambia. We can get that for you certainly. But I think the solar deal that I told you about is extremely encouraging. I saw the leaders, Zambian leaders, in Nairobi when we had the Tokyo, Japanese organized meeting, and what they told me was we love the solar deal, we want more of it.

Now the interesting thing about solar is that, especially if you're talking about providing electricity to villages, you can very quickly put in place solar based micro grids and mini grids, not necessarily connected to the central grid, but can transform the lives of rural people. So in this particular case there was very little financing that we had to do because Zambia was able to put together the deal, you know, come through, the government was able to come through with the kind of policy changes that gave confidence to private sector providers. So this was a landmark deal, lowest price ever received in Africa. And so while I told you the average was \$.06, but the lowest bid was

\$.06 and that number was not going to go up for 25 years. So if you say \$.06 for 25 years that ends up being about \$.045. So Zambia received a bit for almost \$.045 for solar. Now Zambia has a lot of sun and I think we can scale up solar dramatically.

Still for many other reasons Zambia still needs base loads, so they're still going to need to use other kinds of energy sources, but I think the promise of solar, not only in Zambia, but all throughout Africa is really very exciting.

MR. THEIS: All right. Thank you all very much. We'll have the opening remarks available at the World Bank Press Desk shortly and a transcript available in about an hour.

Thank you.