

# World Bank Group President David Malpass

## Roundtable during Annual Meetings 2019

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Transcript

**MR. MALPASS:** Nice to see everybody. Glad you're here. Thanks for coming.

So, we've got the Annual Meetings in front of us. Some of the events, I'll be talking quite a bit about growth. I'll do a plenary speech one day.

IDA19 is on my mind.

Tomorrow, we're going to put out a Learning Poverty Index. So, it's a new part of the Human Capital Index that we work on.

I'm doing a lot of bilaterals. And there are some groups of Finance Ministers and Governors that we'll meet. So, various regional groupings.

And we have the Development Committee, and then there are other events that go on during the Meetings. So, I'm looking forward to working with Kristalina as Managing Director of the IMF, and I'll be laying out themes, my themes, during the plenary speech, which is upcoming.

So, with that, I'm open to questions. Very interested in what's on your mind.

**MR. THEIS:** I told folks that--just to try to get to everyone, because I wasn't sure we could--but I would just go back-and-forth at the end of the table. And I thought we'd start on your side, to the left, and just go back-and-forth. So, if that's all right with you.

**ALEX BRUMMER:** So, you mentioned IDA19. So, what are your ambitions?

**MR. THEIS:** Hold on--we're going to start over here. Sorry, yeah.

**MR. MALPASS:** So, that's fine. That's a good spot to start.

So, as most of you know, World Bank Group does a--every, each three years, a replenishment of IDA, the International Development Association, which is the part of

the World Bank that does grants and very low interest rate loans to poorer countries. So, we're in the process of the fundraising for the 19th replenishment of IDA. So, it's gone relatively smoothly. I announced a couple--three weeks ago, with Kristalina's departure [audio distortion]--Philippe le Houerou, the CEO of IFC, and the other Co-Chair is Antoinette, who's been working on it steadily. So, there will be a meeting of the IDA Deputies here during this week and I'll meet with the IDA Group on Monday next week.

And then, they'll--this will reach a--we talk with individual countries about their possible contributions. And also, there is a big expression of interest by countries that would receive--by IDA countries, which are--many of them are in Africa, and so they express their interest during these Annual Meetings in IDA. So, I'm cautiously optimistic about the progress of IDA19.

**ALEX BRUMMER:** Do you have a financing goal?

**MR. MALPASS:** Of?

**ALEX BRUMMER:** A number?

**MR. MALPASS:** "A number." I'm not going to give a number now, but we are pleased with IDA18, which was a \$75 billion number, and I'm cautiously optimistic about IDA19.

**ALEX BRUMMER:** So, can I just ask--

**MR. THEIS:** Hold on. No, no, we've got a very little time, so I want to make sure we get everyone.

Kiran, if we can turn to you.

**KIRAN STACEY:** I wonder, in general, how quickly you expect over the next few years the lending will be cut to China, and other large middle-income countries.

**MR. MALPASS:** In the capital increase, which was approved by--which was agreed to a year ago, there was a focus put on countries graduating from IBRD lending in a gradual process over time. So, that includes China and other countries.

So, we're in the process of evolving the relationship with China in a way that will have gradually less IBRD lending, and other--but along with other kinds of activities from the World Bank Group. For example, IFC continues to be active in China.

**KIRAN STACEY:** Do you have a sense of how gradual? Is there a timeline?

**MR. MALPASS:** We're still working on the Country Partnership Framework, which is a--which we work with the country on in terms of the lending program. So, we're still working on that.

**MR. THEIS:** Turning here to Larry.

**LARRY ELLIOTT:** How worried are you by the buildup of debt in poor countries? And are--do you think getting close to a need for another multilateral bailout of indebted countries?

**MR. MALPASS:** I'm glad you asked. So, debt is--and debt transparency are very important parts of the development process, in part because the world was growing pretty rapidly, there's been a buildup, heavy buildup, of debt.

So, and debt can be very helpful if it's used for good, productive purposes. And so, we're at a point where some of the debt wasn't loaned in a transparent way, and so that's a process that we're working on, to have the debt that's going to developing countries be more transparent, have standards such as in procurement contracts, have transparent standards for that.

To your--and so, the World Bank has some active workstreams to think about the best types of sovereign debt that--and standards that would be helpful in discussing that debt. I think it is early to--or we're looking for ways that countries can do--can have good, strong growth programs that would make the debt burdens practical for them, and we're not at the point of thinking about a systematic way of reducing the debt burden. I should note that there's an active Paris Club process that reschedules and reprofiles debt. And so, there are techniques that reduce certain kinds of debt that are active and-

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**LARRY ELLIOTT:** But quite a lot of debt is not Paris Club these days. And in fact, back in 2005, when debt was written off, most of the debt was Paris Club, and now a lot of it is non-Paris Club.

**MR. MALPASS:** Correct. And China is not a member of the Paris Club, and so that's an issue. But there are rescheduling and reprofiling processes going on country-by-country for some of the most indebted countries.

**MR. THEIS:** Great. Alan.

**ALAN RAPPEPORT:** Thanks very much, good to see you.

**MR. MALPASS:** Hi.

**ALAN RAPPEPORT:** Quick trade question, I guess, for starters: Do you believe that the Phase 1 trade deal between the United States and China that's been agreed in principle is going to be sufficient to sort of remove some of the drag that trade tensions have had on global growth and the global economy?

**MR. MALPASS:** I don't have a comment on the bilateral trade relations.

**ALAN RAPPEPORT:** But just on the impact on the global economy, from what you've heard, has been agreed. Does that sort of offer any relief?

**MR. MALPASS:** I don't want to comment on bilateral trade issues. I'm happy to--with regard to global growth, we issued our Global Economic Prospects in June, the World Bank report, which looked for 2.6 percent global growth in 2019. That was a lowering of the forecast. That occurred in June of 2019. People keep writing the story that we're lowering our forecast, but I want to be clear that we lowered our forecast in June of 2019, based on a range of uncertainties, including uncertainties over Brexit; the slowdown in Europe, which is quite apparent; and trade uncertainties.

**ALAN RAPPEPORT:** And just a quick follow-up: What is the World Bank's efforts to ensure that World Bank resources are not going to fund human rights abuses in Xinjiang. Where does that stand?

**MR. MALPASS:** We wrote to the U.S. Congress an update on that. We have--the Bank has sent now two missions to Xinjiang in the last month and there are reports that are-- there will be a report from those missions on that situation.

**MR. THEIS:** I don't think we have anything, yet, to report, though.

Alex, if we have time, I'll come back to you, but since you already had the chance, I'll turn to you Jeanne.

**JEANNE WHALEN:** Question about Ukraine. You went there, I think, in the last several months and met, I think, with the President.

**MR. MALPASS:** Mm-hmm. In August.

**JEANNE WHALEN:** In August. And I wonder what message you delivered and if that message included any advice or demand to investigate anything related to Burisma or to the 2016 election?

**MR. MALPASS:** No. But so, I did meet with the President and there were--so, we have an active--the World Bank has been very active in Ukraine over the years. And so, the discussion was about land reform, the reform of the financial system, reform of state-owned enterprises, reform of the fiscal--of Ukraine's fiscal structure, and those issues.

**JEANNE WHALEN:** And anything in particular related to Naftogaz [inaudible], or to the energy sector?

**MR. MALPASS:** I did an op-ed in The Financial Times in the day following my trip which did mention the natural gas sector in Ukraine where we have advocated unbundling of the natural gas sector as--and so, I would refer you to The Financial Times op-ed.

**MR. THEIS:** And there was subsequent progress on that, right, which you tweeted on, I think.

**MR. MALPASS:** And a subsequent tweet. So, they did, subsequent to my visit and to The Financial Times article, they passed a law related to the unbundling of the natural gas sector.

**MR. THEIS:** Great.

**FABRICE NODE-LANGOIS:** Thank you for your time with us. When you were appointed to be head of the World Bank Group, there was some skepticism, including in Europe, about your commitment to fight climate change. How do you--now that you've been in office for some months--is it almost a year now?

**MR. THEIS:** Six.

**MR. MALPASS:** Six months.

**FABRICE NODE-LANGOIS:** Six months. How do you answer to these skeptics? And maybe, how differently you want to address this issue from how it used to be done before?

**MR. MALPASS:** And there was skepticism on a range of topics, including whether--there was skepticism about whether I had any experience in development. There was skepticism on whether there was any background on the World Bank. There was skepticism on a range of topics, which wasn't well-founded.

So, with regard to the climate, as I've made clear many times, the Bank has commitments on climate change and on the environment that are maintained that were--that a core part of the Bank's work.

So, the World Bank is the largest single funder of climate and environment in the world. And of the funding provided by all of the international institutions and the multilateral development banks, the World Bank alone, the World Bank Group, provides nearly half of the total of all the institutions. So, it's a major commitment of the Bank. We doubled the funding commitments in--last year, and they are \$200 billion of climate co-benefits over FY21 through FY25.

**FABRICE NODE-LANGOIS:** Sorry, can you repeat the--

**MR. MALPASS:** \$200 billion in FY21 through FY25.

**MR. THEIS:** I can send these numbers around to you so you can capture them.

**MR. MALPASS:** And so, these are actively discussed in my presentations and participations. So, I would refer people to my speech at McGill last week, my speech at The Peterson Institute three weeks or so ago, and the--at the UNGA, the UN General Assembly, we did a white paper prior to the UNGA meetings describing the climate commitments of the Bank.

**MR. THEIS:** All right, good. Winand.

**WINAND VON PETERSDORFF:** What is your biggest concern? And how high is the readjustment of value chains--

**MR. MALPASS:** Of what?

**WINAND VON PETERSDORFF:** Of global value chains on your list, because it seems to be that the trade pattern is changing right now, and especially the way for poor countries to get more prosperity is somehow locked down right now. So, yeah, can you--

**MR. MALPASS:** Sure. Well, I'll comment on several areas of that, and that's a good core question of development.

One part is, investment in developing countries has been sluggish. We highlighted that in our June report, Global Economic Prospects. And new investment is key to staying engaged in global value chains. So, that's--so, one point is it's a difficult environment from the start on that. We just released last week the World Development Report,

WDR, on global value chains. So, it gave a lot of information about ways that countries can do better in participating in global value chains, but some part of that is for them to find competitiveness in various parts of the chain, for countries to do that. And that involves all the standard development steps. The recipe, in a way, which includes electricity and clean water and people with skills and with trade facilitation at the border so that they can participate in the global value chains.

But then one more point. The IMF-released forecast yesterday which showed the slowness of world trade growth, and WTO had done that about two weeks ago, with a similar finding, that the volume of global trade has slowed. So, that makes it even hard for developing countries.

So, now, can I say our--World Bank--and I'll talk about this in my plenary speech--we believe that, even as global growth slows, countries themselves can put in stronger policies that allow them to grow even within a challenging environment. So, and we clearly have that. It's a slowdown in global growth, it's a slowdown in investment in developing countries, in general. But with good policies, countries can find a way to go against the trend and to themselves improve their growth outlook.

**MR. THEIS:** Good.

So, that's what we're work--and another theme for the plenary speech is the importance of country programs within that. So, individual country efforts are really important in how the development occurs.

**MR. THEIS:** Right.

Delphine.

**DELPHINE TOUITOU:** I would like to ask you about the free trade agreement in Africa. So, there's an agreement on the way. It's not implemented yet. It's supposed to be July 1st next year. What is your view on the capabilities of the countries to implement this trade agreement, and in which extent will this help the governments of Africa, east part of Africa, and growth there?

**MR. MALPASS:** Yes. So, they'll have a headquarters and secretariat in Accra. And in order to make it work, I think pragmatism is going to be important for the countries to find ways to implement the parts of the agreement that facilitate trade.

So, I'll make one comment, and I talked about this some in my speeches, the importance of trade facilitation across borders is very important, even if you have a hemispheric free trade--or trade integration model, the way Africa is doing.

So, that means trade between Ghana and Cote d'Ivoire is very important. I've highlighted some of the progress going on in the Horn of Africa, and its trade among the countries that border each other in terms of services that can cross borders. This means harmonization of tariffs. And it means customs and border processes that are efficient enough to allow goods to transfer across borders.

So, I think those are key parts of making the trade agreement, the Africa trade agreement, work well.

**DELPHINE TOUITOU:** But are you optimistic about the [unclear] next year?

**MR. MALPASS:** Well, I'm optimistic that there are huge advantages from trade, from commerce, among village--between cities within a nation and across national borders. So, I'm very optimistic that that provides big economic benefits.

**MR. THEIS:** Great. Alfonso.

**ALFONSO FERNANDEZ:** Yeah. I wanted to ask about Argentina and how concerned are you about the situation right now and the possibility of the government that is talking about going back to the beginning of the century [unclear] loan don't have to be paid and everything--like, going back to the old days – is it a possibility?

**MR. MALPASS:** There's an election coming up, so I don't want to comment on this too much, but I think Argentina has policy options that would--could allow growth to resume. And I think we can all hope for that as a direction for Argentina.

**ALFONSO FERNANDEZ:** Are you worried that you have to face another crisis in Argentina, given that the big amount of loans that the World Bank has put in place?

**MR. MALPASS:** I really want to go on the other side that Argentina will have policy options that can work to support to growth and we're watching this situation and— watching the situation.

**MR. THEIS:** Great.

Marty.

**MARTIN CRUTSINGER:** You downgraded--the World Bank downgraded its forecast in June, and the IMF's WEO this week was a downgrade, as well. Is that where we are

right now, that storm clouds are growing, or do you see any hope--parts where there could be some optimism?

**MR. MALPASS:** I think there are possibilities for improvement in the outlook into 2020, and those would--could come from—and I want to name several things, if I could.

One would be structural policies country-by-country that improve their own outlook. One would be some clarity on the Brexit situation. And one would be on the trade situation, if there can be a reduction in uncertainty and more clarity in the outlook on trade, and that includes U.S.-China trade, but that also includes the global trade environment, as well.

So, I mentioned in—as we look at the data today, we will probably be looking at a further downgrade from our June downgrade.

**MARTIN CRUTSINGER:** Do you think there will be any movement at this particular Meeting--

**MR. MALPASS:** Not by us. We are off-cycle with the IMF. Is that the question?

**MARTIN CRUTSINGER:** No, no, this is more general --

**MR. MALPASS:** Oh, any movement on those things.

**MARTIN CRUTSINGER:** Yeah, there are a lot of meetings happening over the next few days, [unclear], do you see anything--possibilities for something happening?

**MR. MALPASS:** There are always possibilities for good news, and there are a lot of bilaterals that go on during the Annual Meetings. And so, there....

**DAVID LAWDER:** So, David, you seem to be reluctant to directly call for the United States and China to solve this dispute and get these tariffs out of the way, unlike your counterparts across the street are very much calling for that and really warning that if this is something that goes on, can really sink the global economy.

So, I'm just wondering why that's the case and if you really do think this is what needs to happen, that this is the driving factor that's causing the uncertainty, that's causing, you know, Germany, for example, to go down, and for other countries, as well?

**MR. MALPASS:** Well, we've been—I've been outspoken on several things. One is on the need for each country to have better policies in terms of—and across a broad range. That means investment policies, tax policies, trade policies. And that is each country. So, I'll pound the table on that.

And then, we've also highlighted the cost of uncertainty in the trade outlook. That was in our June Global Economic Prospects Report, and we just issued a WDR, World Development Report, which focused on global value chains as being a very important part of growth and development.

**DAVID LAWDER:** So, I mean, is it—would it be okay if the U.S. and China sort of agreed to disagree and keep some of these tariffs in place, you just need certainty about it?

**MR. MALPASS:** I think it's important that the direction be toward market liberalization, toward economies that allow capital to be allocated through market systems, and rule of law is a core part of economic development. I'll talk about that in my plenary speech tomorrow. So, that's—a key theme of this is having a clear rule of law that facilitates growth and investment.

**MR. THEIS:** And Jeff, I'm sorry we didn't get to you on the outside, but we've got Jeff Kearns from Bloomberg.

**JEFF KEARNS:** Thank you. Just to follow-up on Marty's question on global growth, Dr. Gopinath talked yesterday about her kind of decomposing some of the scenarios in which the--how the trade impacts in a way--or removal might take away some of those impacts.

I was wondering if you can kind of talk about your own view of the things you talked about with respect to the global outlook looking forward, how much you think that these—you know, which of these things will have the biggest effect and, you know, kind of looking at the composition of the global growth outlook and what—I don't think you touched on central banks. I mean, how much of that is going to act as a kind of buffer?

**MR. MALPASS:** So, Europe is important in this, and Brexit. So, the IMF, I saw, yesterday, lowered its Europe forecast to 1.2 percent. So, we have the—you know, a quite apparent slowdown in Europe. I don't know if you saw IMF forecasts for China were 6.1 and for U.S. was 2.4. So, these are—so, there's—should be a focus in the outlook on what Europe does.

Brexit is a key variable in this. So, in our June forecast, we assumed in our downgrade that there would be a resolution of Brexit that was—I'm sorry, I lost my--

**MR. THEIS:** They used the word "orderly."

**MR. MALPASS:** No, I meant to say the other way around, not abrupt.

**MR. THEIS:** What's the word?

**SPEAKER:** "Disorderly."

**MR. MALPASS:** That was not a hard Brexit. So, if there is a hard Brexit on October 31, I would expect it to cause a lowering of our UK forecast and some lowering of our EU forecast from where they currently stand. So, you were asking for kind of a crystal ball on that.

**JEFF KEARNS:** And central banks.

**MR. MALPASS:** As far as--and central banks, then, in my Peterson Institute speech, I talked about frozen capital with negative bond yields being a drag—or one of the challenges facing development, because, as I mentioned previously, you know, the investment levels in developing countries are sluggish. That was the title of our June GEP Report, Global Economic Prospects. So, sluggish investment, in part, because there's frozen capital in these low-yielding bonds. So, that becomes an issue in the question marks about the central bank stimulus.

**MR. THEIS:** Well, you have increased efficiency at the Bank. You got through all the reporters so I'm going to turn back to --

**MR. MALPASS:** Yes, second round.

**ALEX BRUMMER:** I can always go more general questions.

**MR. MALPASS:** Okay, IDA19 was very specific.

**ALEX BRUMMER:** So, this one is much more general. So, you've been at the Bank now six months, and your employment, as somebody referred to earlier on, was seen as something controversial.

**MR. MALPASS:** Yeah.

**QUESTION:** I just wonder what the good things you--the positive things you've taken away from that six months, and the areas you think really need some adjustment and improvement.

**MR. MALPASS:** Yeah, thanks. I've been very focused on doing the job, on growth for developing countries, and I think that's gone well. I interact--and I'll talk a little bit about this in the plenary speech, the importance of staff within the Bank and having people--

people have a very clear sense of the mission, which is good outcomes in developing countries.

So, I think we're on track in terms of the World Bank's interaction with development. So, I'm happy with that, and with some of our projects that we're focusing on.

Transparency, debt transparency, is very important as a project.

Country programs and platforms, meaning a very clear sense, country-by-country, of what kinds of structural changes, policy changes would help their growth outlook is a core part of what I'm trying to do.

And I traveled a lot. You know, I traveled to a number of developing countries. I have some more travel coming up. And then, there's the mini trips to G20 and G7s, and so on.

**ALEX BRUMMER:** So, I was just wondering, in terms of the organization, I suppose, the bureaucracy, whatever you like to call it, I know some of your predecessors regard it as a sort of bed of nails. And I just wonder what your views--

**MR. MALPASS:** I've enjoyed working with the Bank staff, the other stakeholders—that includes the Board and that includes the Governors. And that's been a constructive relationship.

You know, I could note my selection was unanimous by the Board. They've been very supportive, as have the Governors, both during the selection process and after. And I've really welcomed that.

We had budgets for IBRD—the IBRD/IDA is one budget, and IFC is another budget. Those were both passed unanimously by the Board, as I chaired the Board meetings, with unanimous support of those directions.

And so, I'm encouraged by the first six months and look forward to—you know, I'll lay out a little bit in the speech tomorrow—the plenary is tomorrow?

**MR. THEIS:** The Plenary is Friday.

**MR. MALPASS:** Friday, the speech on Friday. Some of the work plan—but it's not so different from what we've been doing, but it is very focused on trying to find processes that give good country outcomes. So, we're working hard in Ethiopia and in Ghana and in Cote d'Ivoire and in Egypt, in India, in Pakistan, and so on, around the world.

**MR. THEIS:** Okay, great. Other questions, because maybe I can buy a little bit of his time back, because we've got a hard stop coming up, soon.

I'm going to do one here, one here.

**ALFONSO FERNANDEZ:** Have you seen there's been a lot of talk about some loss of credibility of international systems? Now that you're at the helm of the World Bank, have seen this kind of...

**MR. MALPASS:** I find, in my interactions with countries and with leaders a large amount of credibility for the World Bank, and also for the IMF. And Kristalina Georgieva moving to be Managing Director of the IMF provides good cooperation for the World Bank. And so, it's a loss for the World Bank but it's good for development. It's good for the IMF to have a strong hand at the IMF. So, I think that all goes to the credibility of the institutions. Countries are really looking for input, and this is—this includes, really, all of the Borrower countries.

**MR. THEIS:** Larry.

**LARRY ELLIOTT:** What is the Bank's policy with regard to investments in fossil fuel projects? Because there's going to be a protest outside on Friday, and I thought the Bank's policy now was not to lend for fossil fuel projects, but the CSO movement seems to think that the Bank is still investing in fossil fuel projects like coal and gas.

**MR. MALPASS:** So, the Bank hasn't invested in coal since 2010. So, in contrast with the building of coal-fired plants in Europe, in Japan, in China, and India, the Bank hasn't invested in those.

There is—there isn't investment in upstream oil investments and—and I'll refer us back to both the paper that we did prior to the UN General Assembly and to my comments earlier here of the Bank being the world's leading funder of climate and environment-related investing or—investing.

**QUESTION:** So, the protestors are wrong, then? The protestors are wrong and the Bank is out of fossil fuels?

**MR. MALPASS:** I don't want—people—I don't know the protest that you're referring to.

**MR. THEIS:** But there's—I mean, you have the energy direction strategy paper you talked about, previously, which remains—I don't know if you have a copy of it, but we

can get it to you if you're interested, which lays out the Bank's position on this issue.

The energy direction strategy paper is here, so—okay.

Thank you all for coming in. I'm going to give Mr. Malpass a chance to get to his next meeting. You'll have to forgive me tomorrow, since you have all gotten the question—and I'm going to focus, as I always try to, the questions for reporters on developing country reporters that don't get the access that some you might get. So, please forgive me if I don't get a chance to call on you tomorrow.